國泰金控
Cathay Financial Holdings

2025 Cathay Financial Holdings

CLIMATE AND NATURE REPORT

國泰金控
Cathay Financial Holdings

CONTENTS

Contents

About this Report

This report is prepared with reference to the International Sustainability Standards Board (ISSB) International Financial Reporting Standards (IFRS) S2 Climate-related Disclosures and the framework of the Task Force on Climate-related Financial Disclosures (TCFD). It also draws on the IFRS transition plan disclosure framework, the Financial Supervisory Commission's Recommendations on Key Components of Transition Plans, and just transition principles to strengthen the integration of Cathay FHC' s governance, implementation strategy, engagement strategy, risk management, and metrics and targets, thereby enhancing the integrity and quality of report disclosure.

Recognizing the close link between climate and nature-related issues, this report also references the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) and the LEAP approach to identify the nature-related dependencies, impacts, risks, and opportunities associated with Cathay FHC's business activities, and to support the development of related strategies and management actions. In 2026, Cathay FHC further expanded its ENCORE analysis from selected sensitive industries to all industries. Supported by water and other related indicators, the analysis identifies priority industries, sensitive locations, and key themes for nature scenario analysis, enabling Cathay to progressively strengthen its nature-risk management framework and support sustainable transformation across the value chain.

Scope of Disclosure

This report encompasses the main operations in Taiwan of Cathay FHC and its principal subsidiaries, including Cathay Life, Cathay United Bank (CUB), Cathay Century Insurance, Cathay Securities, and Cathay Securities Investment Trust (Cathay SITE).

Period of Disclosure

Primarily examines measures of climate and nature risk management in 2025, supplemented by important milestones and achievements in 2026 and the past.

Verification and Assurance

Cathay FHC engaged PwC Taiwan to independently verify the sustainability performance selected in the report prepared according to GRI standards. The verification process followed the Statement of Assurance Standards No. 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", issued by the Accounting Research and Development Foundation. This verification was conducted under a limited assurance framework. The data verified by PwC is clearly marked in this report to indicate its external, independent, limited assurance status. The Limited Assurance Report from PwC can be found in the Appendix.

Message from the Chairman

Strengthening Governance for Climate and Nature Resilience

In 2025, global warming, extreme weather, and mounting threats to ecosystems continued to have far-reaching impacts worldwide. From the Hualien barrier lake breach to floods in Indonesia, bushfires in Australia, and heat waves across Europe, these events made clear that no country is immune. As the Intergovernmental Panel on Climate Change (IPCC) noted in its AR6 Synthesis Report: Climate Change 2023, climate change is already affecting ecosystems and societies on a broad scale. Countries must therefore embed adaptation, risk management, and resilience-building into decision-making to lessen the impacts of extreme weather on communities, economies, and ecosystems.

We recognize that climate and nature risks are no longer purely environmental issues. They are key variables affecting global supply chain stability, energy security, and social resilience, and have become central to governance and sustainable development worldwide. Cathay FHC takes a forward-looking, integrated approach by elevating climate and nature risks to the level of core corporate governance and embedding them into risk management and business decision-making. Through scenario analysis and systems thinking, we identify risks and dependencies across the value chain, addressing near-term challenges while supporting long-term value creation and sustainable development. Only by turning sustainability risks into drivers of innovation and resilience can companies maintain competitiveness and achieve sound long-term growth amid global change.

Cathay FHC has long been committed to sustainable finance, with Climate as one of its three sustainability focus areas. We continue to embed climate resilience into corporate governance, risk management, and business decision-making. Since endorsing the Task Force on Climate-related Financial Disclosures (TCFD) in 2018, we have strengthened climate risk identification, scenario analysis, and disclosure, while enhancing the financial sector's climate governance and resilience. These efforts have been recognized in official TCFD publications and multiple international sustainability assessments. Cathay FHC also received Environmental Finance's TCFD Report of the Year award, becoming the first financial institution in Asia to receive this honor for two consecutive years—an important driver of our continued progress in sustainability governance.

As the international community pays growing attention to the impacts of climate change on nature and ecosystems, Cathay FHC joined the Taskforce on Nature-related Financial Disclosures (TNFD) in 2022. We have since strengthened the integration of natural capital, biodiversity, and nature-related risks into investment, lending, and project management. In 2025, during our fifth participation in the UN Climate Change Conference (COP), Cathay FHC was once again invited to deliver opening remarks at the World Climate Summit (WCS), hosted by the World Climate Foundation (WCF). There, we called on the global community to help activate "Moore's Law for Climate and Nature," accelerating and scaling investment in climate and nature so that scalable, commercially viable, and investable sustainability solutions can take root around the world—turning global climate action from pledges into real action.

As a leader in climate finance, Cathay FHC remains guided by its core values of Integrity, Accountability, and Innovation, as well as the brand spirit of "BETTER TOGETHER." We actively bring major global trends—including climate change, water resources, biodiversity, and natural capital—into Taiwan. Drawing on our core financial capabilities, we connect resources across industry, government, academia, research institutions, and society to help build a sustainable transition pathway that is forward-looking, equitable, and inclusive. In the global transition to net zero, Cathay FHC is committed not only to leading the financial industry in deepening its sustainability impact, but also to helping Taiwan's industries strengthen resilience and competitiveness, becoming an important force for global climate action and sustainable development.

Chairman 蔡宏圖

First/Only Honors Major Visions & Goals

Milestones and Highlights

2012
Joined the Carbon Disclosure Project (CDP)

2015
First bank in Taiwan to become a signatory to the Equator Principles (EPs)

2016
Founding member of the Asia Investor Group on Climate Change (AIGCC)

2017
First financial institution in Taiwan to join Climate Action 100+ and the CDP's Non-Disclosure Campaign (NDC)

2018
- Signed the endorsement for the Task Force on Climate-related Financial Disclosures (TCFD) initiative and established a dedicated TCFD task force
- First financial institution to verify the carbon footprint of investment portfolios in accordance with TCFD's recommendations

2019
First financial institution in the world to adopt ISO 20400 standards for sustainable procurement

2021
- Adopted "Climate" as one of the three focus areas for strategic sustainable development
- Only financial institution in Taiwan to join the Asian Utilities Engagement Program (AUEP)
- First financial institution in Taiwan to join the CDP Science-Based Targets Campaign

2022
- Released Cathay FHC's first TCFD Report
- Taiwan's first company selected as an example of climate-related disclosure in the TCFD official 2022 Status Report
- First financial institution from Taiwan to join RE100
- Joined the Partnership for Carbon Accounting Financials (PCAF)
- Joined the Taskforce on Nature-related Financial Disclosures (TNFD)
- Obtained approval of Science Based Targets (SBTs)
- First financial institution from Taiwan to join the Partnership for Biodiversity Accounting Financials (PBAF)
- Founding member of the Business Council for Sustainable Development of the Republic of China (BCSD Taiwan)'s Taiwan Nature Positive Initiative (TNPI)

2022
- Founding member of the Financial Supervisory Commission (FSC)'s Coalition of Movers and Shakers on Sustainable Finance
- Attained a Leadership Level A rating (highest honor) for the first time in the CDP assessment
- Only financial institution in Taiwan to join the Ceres Valuing Water Finance Initiative

2023
- Joined the COP15 Business Advocacy Campaign launched by Business for Nature
- Only life insurance provider in Taiwan to join Nature Action 100
- First bank in Asia to join the CDP Carbon Disclosure Item-Commercial Bank Project
- Ranked as the top private financial institution in Taiwan by UK Financial Times' Asia-Pacific Climate Leaders 2023

2024
- The TCFD task force reestablished as Cathay's Climate and Nature Task Force
- The first financial institution in Asia to win the Environmental Finance TCFD Report of the Year Award
- Ranked as the top private financial institution in Taiwan by UK Financial Times' Asia-Pacific Climate Leaders 2024
- Outstanding performance in the first TCFD report evaluation for banks and insurance companies by NCCU—excellence achieved in banking, life insurance, and property insurance
- 1st financial institution from Taiwan to set up a Chief Climate Officer

2025
- Established the board-level Corporate Sustainability Committee and appointed a Chief Sustainability Officer (CSO)
- The first financial institution in Asia to receive the Environmental Finance TCFD Report of the Year Award for two consecutive years
- Outstanding performance in the second TCFD report evaluation for banks and insurance companies by NCCU—excellence achieved in banking, life insurance, and property insurance
- Cathay FHC Climate and Nature Report 2024 was reviewed by TNFD and featured on the TNFD website as a disclosure case study
- 100% use of renewable energy at Cathay FHC, Cathay Life, CUB, and Cathay Century Insurance HQ

2026
Received the Silver Award in the TNFD Report Category at the 4th Taiwan Biodiversity Awards presented by TAISE

2027
Q1: Reduce the Outstanding Balance of the Coal Value Chain in the Lending Portfolio to Zero

2030
- Exclude investment assets from coal value chain industries and unconventional oil & natural gas sectors that derive a significant portion of their revenue from such activities and are not actively transitioning towards sustainability
- 60% renewable energy use at global business locations, and 100% renewable energy use at all Taiwan business locations

2050
- Net-zero emissions in financial assets
- 100% renewable energy use at all global business locations

Global Perspectives

COP30 World Climate Summit opening remarks: Replicating "Moore's Law for Climate and Nature"

From the Amazon to the World – New Hope & Opportunities in the Global Sustainability Transition

As global climate action enters a decisive decade, the relationship between capital, industry, and nature is being redefined.

Having been invited as the opening speaker at the World Climate Summit for three consecutive years, Cathay Financial Holdings President Lee Chang-Ken shared financial practices and insights for the green transition at COP28 and called for a "Climate Industrial Revolution" at COP29, then introduced the idea of "Moore's Law for Climate and Nature" at COP30. He continues to help shape global dialogue on pathways for sustainable transition, garnering widespread acclaim.

At this year's summit, Lee used Moore's Law, a concept closely associated with Taiwan's semiconductor industry, as a metaphor for one of the world's most urgent challenges: how to achieve exponential growth in climate- and nature-related investment. He emphasized that only by accelerating capital flows and scaling solutions can commercially viable, investable sustainability solutions spread more rapidly, moving climate action into an "era of acceleration." Despite rising extreme-weather risks, Lee sees clear momentum and opportunities for transition in global developments, identifying four key trends:

First, sustainable capital continues to grow. More investors are seeking opportunities that deliver long-term returns while creating value for climate and nature. According to the United Nations Environment Programme (UNEP), private-sector investment in nature has surpassed US$102 billion, showing that market momentum is taking shape. Yet the financing gap remains, which also points to significant room for growth. Second, carbon-intensive industries are seeing structural breakthroughs. Sectors once considered hard to abate, including steel, cement, and automotive manufacturing, are now developing replicable decarbonization pathways, providing practical and scalable solutions for the global industrial transition. Third, innovative business models are emerging rapidly. From regenerative agriculture and circular supply chains to blended finance mechanisms, these models are gaining market validation and building a track record of successful examples. Sustainability is no longer just an aspiration; it is becoming a scalable business practice. Finally, the Global South is playing an increasingly influential role. Brazil's innovative approaches to Amazon governance, community finance models in Africa, and the development of blue bonds in Asia all show that the Global South is moving from being a recipient of resources to becoming a key driver and source of innovation for sustainable solutions.

At the close of his remarks, Lee issued a powerful call to action: "When the next heatwave strikes, when floods return, when food and water are again under pressure—may we be able to say: We did not just see the problem. We placed the solutions where they are needed the most." From Belém, Brazil, this was not only a call from a climate summit, but the starting point for global action. Only by accelerating the alignment of capital, markets, and policy can we realize a true "Moore's Law for Climate and Nature" and open a new growth curve for the global sustainability transition.

Cathay FHC President Lee Chang-Ken was invited to deliver opening remarks at the World Climate Summit, a key COP30 side event, for the third consecutive year.

See Website News >>

国泰金控
Cathay Financial Holdings

Contents

At Climate Week NYC, Cathay FHC calls for three solutions to close the nature action gap

A decade of practice shows sustainability and profitability can go hand in hand

As climate change and nature loss become increasingly interconnected risks, directing capital toward transition has become a central global priority. Climate Week NYC, a key platform in the lead-up to the UN Climate Change Conference (COP), brings together decision-makers across sectors to advance international dialogue on climate and nature actions.

Cathay FHC participated in Climate Week NYC for the fourth consecutive year, demonstrating its long-term commitment to sustainable finance and its growing international influence. This year, Sophia Cheng, Senior Advisor to Cathay FHC, attended the World Climate & Biodiversity Summit (WCBS), where she exchanged views with global leaders on climate and nature issues. Cheng noted that Cathay's decade of experience shows that sustainability does not have to come at the expense of profitability. The key lies in working with diverse stakeholders to identify opportunities amid challenges and direct resources toward high-impact solutions.

During the panel "Financing the Transition: Closing the Gap for Climate and Nature Action," Cheng further emphasized that for the financial industry to deliver on sustainable finance, it must go beyond responsibility and maintain sustained attention to and exploration of sustainability issues. This is the foundation for building a robust and sustainable finance ecosystem. Drawing on Cathay's experience, she cited its support for AVPN (Asian Venture Philanthropy Network) in advancing ASCENT, Asia's Clean Energy Transition Initiative, which establishes a cross-regional investment-matching platform for smaller but promising sustainability projects. The platform helps capital flow effectively through professional mechanisms and fosters closer sustainability partnerships. Cathay has also been actively involved in natural capital initiatives, including its support for biodiversity credits under NTU Experimental Forest's Biodiversity Credit Methodology for Afforestation in Mid-altitude Restoration Areas and ShinShen Cover Crop Cultivation methodology. These efforts aim to make climate and nature value measurable and appropriately reflected, while building replicable practical experience for the development of climate and nature finance. Looking ahead to COP30, Cheng proposed three key solutions to close the nature action gap:

1. Expand financial participation and build transition momentum

Every financial institution should be encouraged to support at least one financeable and investable sustainability project. Even a modest contribution from a single institution can gradually build into a major force for system-wide transition.

2. Advance blended finance and scale capital leverage

Concessional capital can help attract more commercial capital into sustainable transition. Research shows that every dollar of concessional capital can mobilize up to four dollars in private capital, helping scale up sustainable finance.

3. Uphold a just transition and create shared value

Sustainable transition should not become a competition for resources or a process defined by unequal power. It should be built on understanding and cooperation among diverse stakeholders, ensuring that climate and nature actions also support social equity and economic development.

Facing the dual challenges of climate change and nature loss, Cathay FHC will continue to leverage its financial influence to connect resources, drive innovation, and deepen its climate and nature finance strategy. By safeguarding social well-being while pursuing long-term value for people, planet, and profit, Cathay aims to bring greater resilience and momentum to the global sustainability transition.

Cathay FHC Senior Advisor Sophia Cheng attends the World Climate and Biodiversity Summit in New York, serving as the sole representative from Taiwan.

See Website News >>

Cathay FHC returns to the COP30 Blue Zone for the third time

Cathay FHC calls for public-private collaboration and SME empowerment to advance nature finance in Asia-Pacific

Cathay FHC participated in the 30th UN Climate Change Conference (COP30), becoming the only financial institution in Taiwan to enter the Blue Zone for the third time. This year, Cathay also expanded its role by co-hosting the Asia Finance Event with the Asia Investor Group on Climate Change (AIGCC) and the World Climate Foundation (WCF), bringing global and regional perspectives to discussions on scaling up climate finance and investment in Asia-Pacific. CUB Executive Vice President Michael Wen attended the COP30 Blue Zone in person, joining international experts in dialogue as a panelist.

Public-private collaboration and SMEs: key to sustainable transition

At the event, Wen noted that Taiwan is known both as the beautiful island of Formosa and as a global hub for semiconductor technology. As the rise of AI drives rapid growth in power demand, balancing industrial development with sustainable transition has become a critical challenge. He shared two key observations. First, public-private collaboration is essential: governments should provide clear and stable policy signals to build market confidence and encourage long-term private-sector investment. Second, SMEs need greater support in financing, knowledge, and technology, as they play a critical role in the low-carbon transition of the broader industrial ecosystem. As a driver of sustainable finance, Cathay FHC integrates Group-wide resources to provide financing support and strengthen sustainability risk management. It also actively develops corporate empowerment services, helping clients introduce carbon inventory and decarbonization technologies, while offering customized green finance solutions to support a steady low-carbon transition.

Expanding nature finance in response to biodiversity challenges

As nature and biodiversity risks intensify, the role of financial institutions is also expanding. Wen noted that financial tools can be applied more flexibly to support nature-positive outcomes. For example, proceeds from green bonds and green loans can be directed toward green procurement, forest restoration, and wetland conservation. Sustainability-linked loans and sustainability-linked bonds can also incorporate nature-related performance metrics, with interest-rate incentives to encourage companies to meet environmental targets. In practice, Cathay FHC has also partnered with local sustainable agriculture consultants and academic institutions, such as NTU Experimental Forest, to develop natural farming practices and biodiversity credit methodologies. These efforts aim to establish a basis for measuring biodiversity value and lay the groundwork for alignment with international certification standards. As the biodiversity credit market continues to develop, it may create new momentum for the growth of nature finance.

Cathay FHC returned to the COP30 Blue Zone for the third time and, for the first time, expanded its participation by co-hosting the Asia Finance Event with AIGCC and WCF. The event brought global and regional perspectives to discussions on scaling up climate finance and investment in Asia-Pacific.

See Website News >>

Cathay Financial Holdings

Contents

CHAPTER

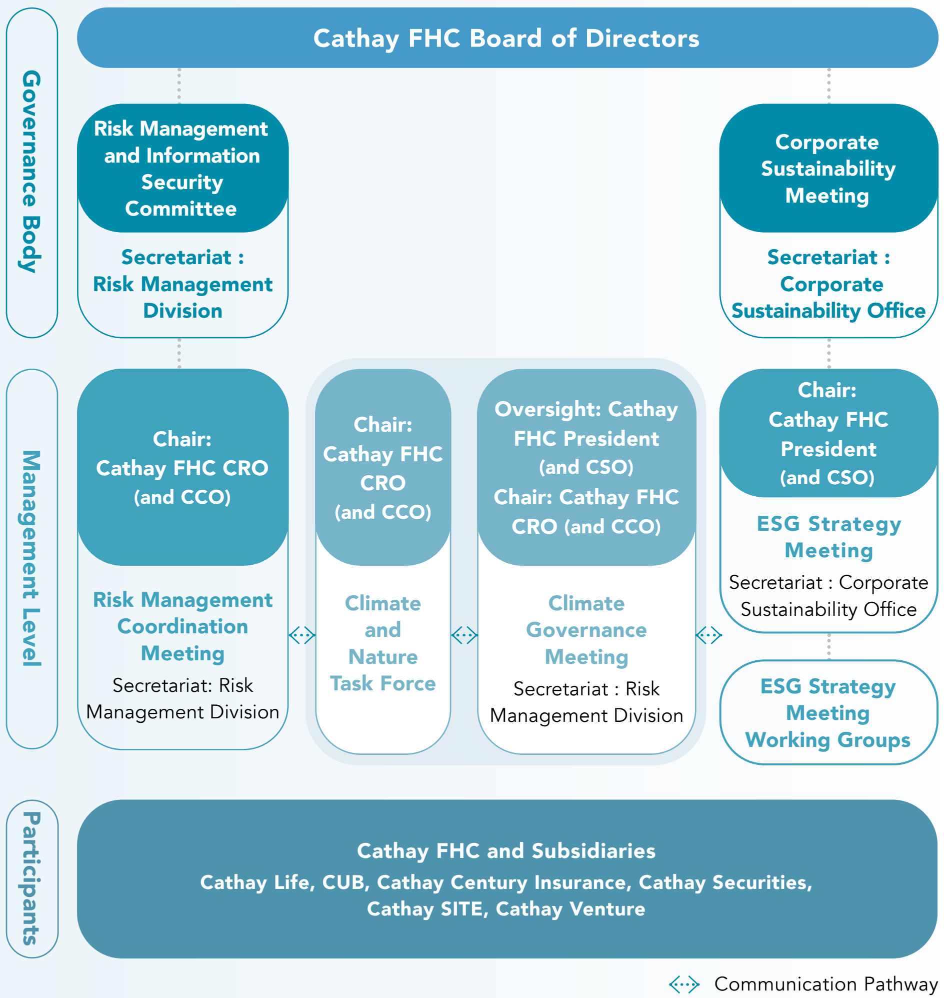
01 Governance

Cathay FHC's Board of Directors serves as the highest governance body, overseeing the overall direction and effective implementation of climate and nature-related strategies. Through the governance framework of the Corporate Sustainability Committee and the Risk Management and Information Security Committee, together with performance-linked mechanisms and dedicated task forces, Cathay FHC embeds its sustainability strategies into day-to-day operations and decision-making. In addition, through its Workplace Empowerment action plan, Cathay FHC deepens employees' understanding of sustainability and climate-related risks, while building a corporate culture and training framework to support sustainability capacities.

1.1 Governance Structure and Responsibilities

In June 2018, Cathay became a TCFD supporter and established Cathay's Climate and Nature Task Force under the purview of Cathay's Chief Risk Officer (CRO) for discussion, coordination, and management of climate and nature-related risks. To enhance board effectiveness and implement sustainable governance, Cathay FHC has established two board-level committees: the Corporate Sustainability Committee and the Risk Management and Information Security Committee. The committees are responsible for reviewing and overseeing the implementation and management of ESG and climate policies, systems, strategies, and plans. In 2024, Cathay FHC led the industry in appointing a Chief Climate Officer, a role held concurrently by the Chief Risk Officer, to formulate climate strategy and implement climate risk management. In 2025, Cathay FHC further strengthened its sustainability governance framework by establishing the position of Chief Sustainability Officer (CSO), held concurrently by the President. The CSO oversees Group-wide ESG strategies, targets, and performance, and ensures effective coordination and execution across departments and areas of expertise.

Governance Framework



Department

Organization Name	Chairperson	Frequency	Responsibilities
Board of Directors	Chairman	Quarterly	The highest governing body on climate issues; oversees overall business operations and approves proposals submitted by the Risk Management and Information Security Committee.
Risk Management and Information Security Committee	Independent director	Meets at least quarterly	Functional committee under the purview of the board, responsible for reviewing the Risk Management Policy, relevant guidelines, risk appetite, and other risk management-related tasks.
Corporate Sustainability Committee		Meets at least twice a year	Functional committee under the purview of the Board, responsible for reviewing sustainable development policies, systems, strategic direction, and annual plans.

Management Level

Organization Name	Chairperson	Frequency	Responsibilities
Risk Management Coordination Meeting	Cathay FHC CRO (and CCO)	Quarterly	Oversees and coordinates the implementation of risk management operations, and reports quarterly to the Risk Management and Information Security Committee.
ESG Strategy Committee	Cathay FHC President (and CSO)	Quarterly	Under the oversight of the Corporate Sustainability Committee, the ESG Strategy Committee works through the six Corporate Sustainability (CS) working groups led by senior executives to implement Cathay FHC's sustainability strategies and action plans.
Climate Governance Meeting	Cathay FHC CRO (and CCO)	Quarterly	Builds consensus among senior executives on climate and nature issues and strengthens the Group's response and resilience, under the oversight of the Cathay FHC President (and CSO).
Climate and Nature Task Force		Monthly	Regularly convenes climate and nature risk management discussions and collaboration meetings to coordinate the expertise and resources of each subsidiary.
ESG Strategy Committee Working Groups	All senior executives	Convene ad hoc meetings as needed	The ESG Strategy Committee has established the six Corporate Sustainability (CS) working groups. An overview of their responsibilities with a strong climate and nature focus is as follows: •**Responsible Investment Working Group:** Promotes the integration of ESG considerations into investment and lending processes, investor relations, and information disclosure •**Responsible Products and Services Working Group:** Assesses risks and opportunities of ESG products and services, develops strategies and ESG-related products and services, including the development of green financial products and services •**Green Operation Working Group:** Focuses on environmental policy and management mechanisms, daily environmental operational management of business locations, supply chain management, and participation in green initiatives

Management Level

To strengthen its climate governance framework, Cathay FHC has placed climate-related management under the joint leadership of the Chief Sustainability Officer and Chief Climate Officer. Through meetings and working groups at various levels, the Company drives climate governance, decision-making, and implementation.

Chief Sustainability Officer(CSO)

Established in 2025 and held concurrently by Cathay FHC President Lee Chang-Ken, the CSO oversees Group-wide ESG issues from a sustainability governance perspective, driving sustainability strategies, target-setting, and performance management.

Chief Climate Officer(CCO)

Established in 2024 and held concurrently by Chief Risk Officer Ching-Lu Huang, the CCO integrates expertise and perspectives across business units, promotes cross-departmental collaboration, develops a systematic climate response strategy, and strengthens governance and management mechanisms for climate risk assessment.

Remuneration Policy

Remuneration for Directors

- Established based on the "Guidelines for Directors' Remuneration." The remuneration committee takes into account the director's level of participation in company operations, value contribution, and remuneration benchmark against industry peers
- The fairness of the "Guidelines for Directors' Remuneration" is evaluated once every three years, and the guideline is submitted to the remuneration committee and the board for approval
- In the director performance management development (PMD) process, directors are evaluated based on indicators such as internal audit and control, risk management, and compliance. Those who do not pass are ineligible to receive any variable compensation as directors

Remuneration for Senior Management

- Remuneration is established based on the "Manager Remuneration Payment Guidelines", taking into consideration roles and responsibilities, performance, and expertise, and is benchmarked against market value
- Established the Manager Performance Management Development Guidelines, which require managers to set individual performance goals based on the company or department's annual strategic priorities, job responsibilities, and corporate sustainability indicators. This ensures that managerial performance targets are closely aligned with the company's overall strategy
- Cathay conducts an annual remuneration competitiveness analysis and evaluates each senior manager's fixed compensation individually. Additionally, we review the "Manager Remuneration Payment Guidelines" every three years and submit them to the remuneration committee and board for approval

Performance-Based Compensation

As an example, the variable compensation of the Cathay FHC President is tied to performance in financial metrics, relative financial metrics, operational indicators on strategic developments, internal control and compliance, and corporate sustainability indicators. To enhance the Company's long-term performance, the President's variable compensation consists of short-term incentives and long-term incentive bonuses. Each long-term incentive plan runs for a three-year cycle and is not paid in full in the year in which earnings are generated. During participation in the long-term incentive plan, if the President engages in any intentional misconduct or gross negligence in the course of business, or if business conduct gives rise to material risks to Cathay, or if there is any other unethical or improper conduct, the long-term incentive bonus may be withheld, depending on the severity of the conduct and subject to approval by the Remuneration Committee and the Board of Directors.

Cathay FHC President's Performance Indicators

Percentage	Important Business Metrics	Details
50%	Financial performance indicators	Return on equity (ROE), after-tax EPS of common stock, etc.
	Relative financial metrics	Fluctuations in foreign shareholding (vs. industry peers)
	Other important financial metrics	Capital adequacy ratio, risk management, etc.
50%	Operational indicators on strategic developments	Data and information transition, AI governance, green fintech development, corporate and brand identity, etc.
	Corporate sustainability indicators	Operational environmental impact, talent cultivation and development, corporate governance, privacy and information security, etc.
	Internal control & compliance metrics	Internal control & compliance implementation results

1.2 Corporate Culture & Competency Training

Cathay FHC's three sustainability strategy pillars are Climate, Health, and Empowerment. Sustainability capabilities are a key strategy under Workplace Empowerment. Cathay FHC provides employees with sustainability-focused learning resources to gradually build a sustainability mindset across the Group, deepen employees' understanding of sustainability and climate-related risks, and help them apply this mindset in their daily work, integrating sustainable finance into day-to-day business activities. To further strengthen employees' understanding of emerging climate-related issues, Cathay FHC has also incorporated Just Transition into its capability-building and internal advocacy efforts. In 2025, Cathay's Climate and Nature Task Force invited an external consulting firm to share insights and exchange views on just transition, helping employees understand key aspects of stakeholder impacts, social impacts, and transition risks in the low-carbon transition, and strengthening their integrated understanding of climate and sustainability issues.

In 2025, the Group achieved a 93.4% completion coverage rate for its foundational ESG and sustainability courses, and a 100% completion rate for the three-hour ESG sustainable finance course, meeting the targets set for the year.

Action Plan	Metrics & Indicators	2025		Short-term	Mid-term	Long-term
		Ambition	Outcome	2026	2030	2035
Strengthen employees' ESG literacy to ensure comprehensive understanding of core concepts and sustainable business practices.	Percent of employees completing the foundational ESG courses	90%	93.4%	90%	90%	90%
	Completion rate of the three-hour ESG Sustainable Finance course (general staff and/or senior management are required to take the course based on specific company requirements)	100%	100%	100%	100%	100%
	New Number of basic sustainable finance certificates obtained	N/A	N/A	1,000	1,000	1,000

Scope: Cathay FHC, Cathay Life, CUB, Cathay Century Insurance, Cathay Securities, Cathay SITE, Cathay Futures, Cathay Securities Investment Consulting, Cathay Private Equity, and Cathay Venture.

CHAPTER

02 Vision

Cathay FHC conducts an annual assessment of material risks and opportunities to comprehensively review their impacts on its business model and value chain. The company continuously refines and optimizes its overall strategic direction based on the assessment results. Through a robust governance framework and comprehensive risk management mechanisms, Cathay FHC further strengthens the group's resilience in addressing climate- and nature-related issues. Within Cathay FHC's sustainability roadmap, climate is identified as one of the three core strategic pillars. To support this commitment, Cathay FHC has developed a Climate Strategy Blueprint as a key foundation for advancing the group's transition plan. By adopting a forward-looking approach, the company seeks to guide its sustainable development pathway and respond to stakeholders' expectations for long-term corporate value creation.

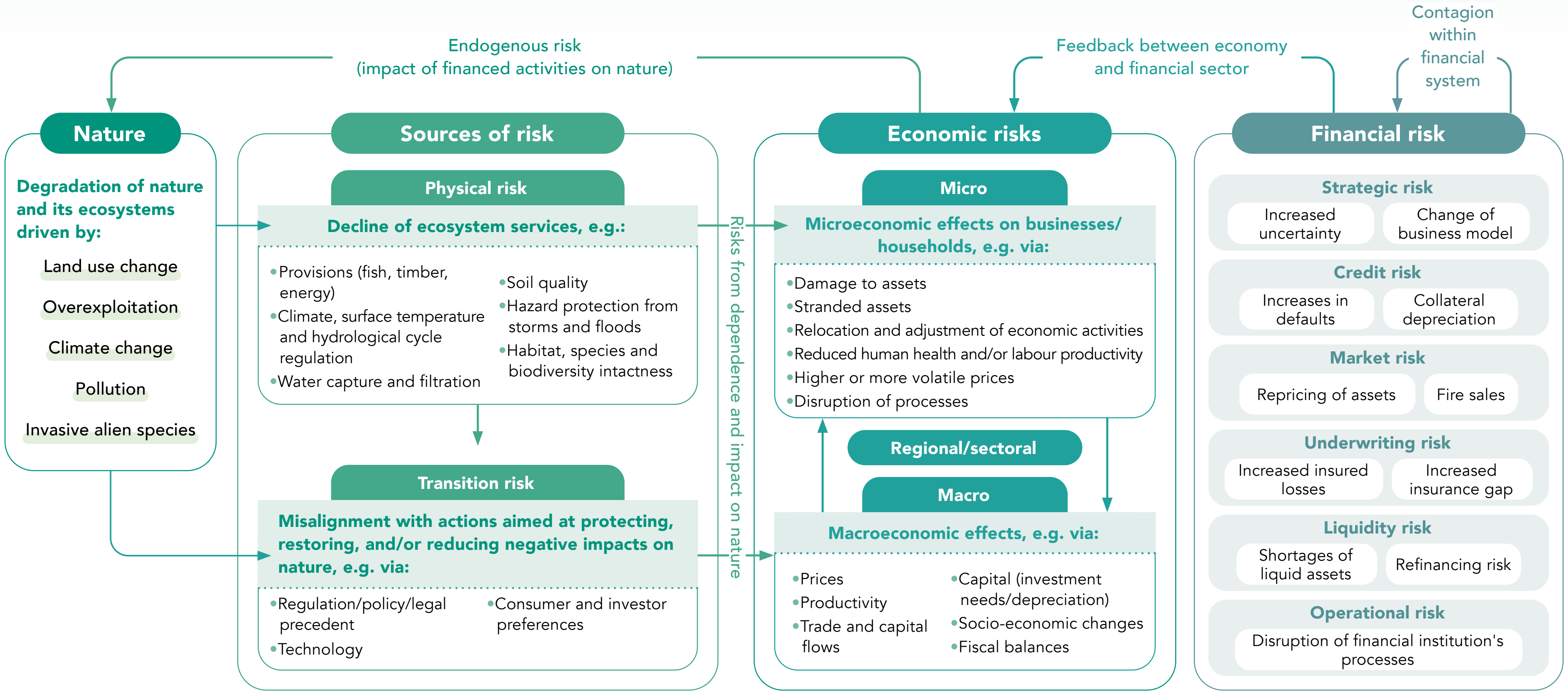
Cathay Financial Holdings 國泰金控

2.1 Risks and Opportunities

Nature Risk Drivers and Transmission

Nature-related risks share similarities with climate-related risks and can be categorized into physical and transition risks. These risks may affect the economy at the micro, sector, regional, and macro levels, with economic risks potentially translating into financial risks that adversely impact individual financial institutions or the broader financial system. Nature-related financial risks are also endogenous in nature, meaning that the impacts economic and financial actors have on nature may, in turn, affect the financial risks they are required to manage. For example, through the economic activities they finance or support, financial institutions may contribute to the accumulation of nature-related financial risks.

With reference to the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) and the LEAP approach, Cathay FHC assesses the group's dependencies and impacts on nature to better understand the potential risks and opportunities associated with its investment and lending activities, insurance business, and own operations. The assessment serves as a key input for strengthening the group's sustainability strategies and enhancing its risk management mechanisms.



Source: Network for Greening the Financial System Technical document

Material Climate Risks and Opportunities

Cathay FHC conducts an annual assessment to identify material climate risks and opportunities, and reviews their potential impacts on the group as well as the corresponding response measures to strengthen overall risk management. For 2026, Cathay FHC identified two material climate risks: (1) tightening or uncertainty surrounding carbon-related policies and regulations, and (2) extreme weather events (typhoons and floods). In addition, two material climate opportunities were identified: (1) the development of financial products with environmental/social benefits, and (2) the implementation of responsible investment and lending practices.

Risk Identification and Assessment Results

No.	Category		Risk	Operational Model and Value Chain Impact	Corresponding Conventional Risks				Key Impacted Segments			Duration of Impact			Mitigating Strategies
					Market	Credit	Insurance	Operations	Investment and Lending	Insurance	Operations	Short	Mid	Long	
1	Transitional	Policies and Regulations	Tightening or uncertainty surrounding carbon-related policies and regulations	As carbon policies and regulations become more stringent worldwide, Cathay may incur higher operational transition costs. Additionally, increased financial pressure and default risks among investees and borrowers could negatively impact Cathay's investment and lending returns.	●	●		●	●		●	●	●	●	**Investment and Lending:** Establish industry exclusion and restriction policies, as well as responsible investment and lending policies; develop management mechanisms for sensitive industries; regularly monitor exposure to sensitive industries; analyze industry carbon emissions through the risk management platform; conduct scenario analysis. **Operations:** Install/maintain cloud-based energy management systems; procure solar panels; replace energy-intensive equipment; conduct operational carbon inventory; establish an internal carbon pricing mechanism; provide employee education and training.
2	Physical	Acute	Extreme weather events (typhoons and floods)	Extreme weather events, such as typhoons and floods, can increase the risk of flooding and windstorms in flood-prone areas. These events could result in physical damage to assets and operational interruptions for Cathay, its investees, its borrowers, and other insured entities. They could also lead to increased insurance claims and reduced earnings for Cathay.	●	●	●	●	●	●	●	●	●	●	**Investment and Lending:** Select investment targets with reference to risk factors such as flood and landslide hazards; assess flood exposure of mortgage collateral using flood maps; conduct scenario analysis. **Operations:** Perform regular maintenance and safety inspections of real estate properties and buildings; maintain business continuity management (BCM) mechanisms, including natural disaster scenarios, backup and recovery plans, and business continuity planning; conduct regular drills. **Insurance:** Provide natural catastrophe prevention and mitigation services for corporate clients; leverage meteorological data to optimize claims services; assess and adjust product design; conduct scenario analysis.

Definition of time frames: Short-term - likely to occur within 1 year; Medium-term - likely to occur within 2 to 5 years (inclusive); and Long-term - likely to occur in 6 years or more.

Opportunity Identification and Assessment Results

No.	Opportunity	Operational Model and Value Chain Impact	Key Impacted Segments			Duration of Impact			Mitigating Strategies
			Investment and Lending	Insurance	Operations	Short	Mid	Long	
1	Development of financial products with environmental/ social benefits	Cathay expands the scope of innovation in financial services and strengthens the alignment between its core business model and the Sustainable Development Goals (SDGs) by providing financial products and services with environmental and social benefits. These products and services include green insurance, green loans, sustainability-linked loans (SLLs), sustainability bonds, microinsurance, and preferential microfinance loans. Cathay enhances its competitive advantage in the sustainable finance market and amplifies its positive social and environmental impact through these products and services.	●	●		●	●	●	Expand portfolio to include climate innovation and nature-related investment and lending opportunities, as well as insurance products/services, and fund offerings, which will diversify the range of products available and support the sustainable transition of industries.
2	Implementation of responsible investment and lending practices	Cathay integrates long-term risk management and sustainability considerations into capital allocation decisions by establishing a robust, responsible investment and lending framework. This approach supports the gradual reduction of exposure to high-carbon industries, as well as related transition risks and reputational risks, guiding the group's overall business model toward low-carbon and high-resilience development. Through proactive engagement, Cathay encourages the implementation of sustainability practices across the value chain to meet the expectations of key stakeholders such as regulators and investors, while strengthening its brand positioning as a leader in sustainable engagement and action.	●		●	●	●	●	Through advocacy and engagement actions, we leverage our financial influence and engage in dialogue with stakeholders along the financial value chain, fostering the development of innovative financial solutions in climate and nature, thereby accelerating carbon reduction progress while achieving our transition target.

Definition of time frames: Short-term - likely to occur within 1 year; Medium-term - likely to occur within 2 to 5 years (inclusive); and Long-term - likely to occur in 6 years or more.

2.2 Transition Plan

To enhance the quality of disclosures, Cathay FHC references both domestic and international transition plan disclosure frameworks, including the IFRS S2 disclosure requirements for transition plans and the "Recommendations on Key Components of Transition Plans" issued by the Financial Supervisory Commission (FSC). Building on the existing Climate Strategy Blueprint, Cathay FHC reviews the completeness of the corresponding principles and disclosure elements to strengthen alignment with relevant disclosure expectations.

Climate Strategy Blueprint

In 2021, Cathay FHC designated "Climate" as one of the three new focus areas for strategic sustainable development. In 2022, the company further developed a Climate Strategy Blueprint to deepen and operationalize this strategic pillar, establishing "low-carbon economy" and "environmental sustainability" as the two key dimensions of the Blueprint. The "low-carbon economy" dimension focuses on strategic objectives related to financial assets and products and services, while "environmental sustainability" focuses on strategic objectives related to business operations. Through the Blueprint Planning Team, the company formulates action plans and short-, medium-, and long-term targets, regularly reviews implementation progress and effectiveness, and reports updates to the Cathay FHC ESG Strategy Committee and the Corporate Sustainability Committee. Further details on action plans and targets are provided in ▶ CH6 Metrics and Targets.

Focus Area	Climate					
Dimension	Low-Carbon Economy			Environmental Sustainability		
Ambition	As the largest financial institution in Taiwan, Cathay FHC commits to using all funds responsibly, working with shareholders and customers, and helping investees and borrowers transition into the low-carbon economy as we strive towards a zero-carbon society. We also aspire to be a leading benchmark company that creates lasting stability and well-being for society.			Cathay drives its low-carbon transition through three core strategies—Green Energy, Green Operations, and Green Real Estate. By working closely with its subsidiaries, supply chain partners, and stakeholders, Cathay is committed to achieving corporate sustainability while fostering harmony between business and the planet.		
Business Scope	Financial Assets		Products and Services	Business Operations		
Strategic Objective	Net Zero Emissions in Financial Assets by 2050	Leader in Climate Engagement Actions	Provide Comprehensive Climate Finance Solution	Green Energy	Green Operations	Green Real Estate
	Achieve net zero emissions by setting SBTs and transitioning financial assets.	Encourage and work with stakeholders in the financial value chain to take action against climate change and strengthen resilience against climate risks.	Support companies and industries in creating opportunities for low-carbon transformation or in mitigating and adapting to climate change through funds, financial products, and services. This will enable industries to become more competitive and allow society to steadily develop towards a green economy.	Expand the use of renewable energy, promote energy innovation and ecosystem conservation, and foster a diverse green energy future and ecological sustainability.	Drive the Group's low-carbon transition, achieve science-based emissions reduction targets, reduce the environmental impact of operations and the supply chain, and foster harmony between business and the planet.	Develop low-carbon and sustainable spaces through environmentally responsible fit-outs that minimize environmental impacts, while supporting tenants in reducing carbon emissions and serving as a smart green landlord to extend positive sustainability impacts.

Alignment of the Climate Strategy Blueprint with the IFRS S2 Disclosure Requirements for Transition Plans

The IFRS S2 disclosure requirements for transition plans apply three guiding principles of ambition, action, and accountability. The disclosure requirements are also split into five elements: foundations, implementation strategy, engagement strategy, metrics and targets, and governance. Cathay FHC's Climate Strategy Blueprint aligns with this framework by adopting "Low-Carbon Economy" and "Environmental Sustainability" as its two core development dimensions that articulate the group's climate ambition. The Blueprint further encompasses implementation strategies and engagement strategies across financial assets, products and services, and business operations. In addition, Cathay FHC has established key action plans and targets and integrates the transition plan into organizational operations through a robust governance structure and corporate culture.

IFRS S2 TPT Disclosure Framework

Principles	Ambition	Action		Accountability	
Disclosure Elements	Foundations	Implementation Strategy	Engagement Strategy	Metrics & Targets	Governance
Definition	The strategic ambition of the plan	Implementation strategies related to business operations, products and services, policies, and conditions	Engagement with value chain, industry, government, and the general public	Metrics and targets for advancing and monitoring strategic progress	Embed transition plan within existing governance structures and organizational arrangements
Climate Strategy Blueprint	**Low-Carbon Economy** Effectively utilize capital and work with shareholders and clients to support low-carbon economy transition of investment and lending targets, while striving to be a leading financial institution that creates stability and enhances well-being for society. **Environmental Sustainability** Cathay drives its low-carbon transition through three core strategies—Green Energy, Green Operations, and Green Real Estate. By working closely with its subsidiaries, supply chain partners, and stakeholders, Cathay is committed to achieving corporate sustainability while fostering harmony between business and the planet.	**Financial Assets** Set science-based targets for emissions reductions in specific asset classes and establish exclusion and restriction policies for certain industries. **Products & Services** Meet funding and product needs of corporations undergoing low-carbon green transition through the provision of green capital, green products, and green services. **Business Operations** Implement the Zero-Carbon Operation Transition Plan through green energy, green operations, and green real-estate.	**Value Chain** Organize forum events to establish communication channels with suppliers, investees, and borrowers and work together towards more responsible supply chain management and sustainable finance. **Industry and Peers** Participate in various industry associations and professional organizations to support financial regulators and government agencies in advancing sustainable finance–related policies. Through engagement initiatives, seek to create a multiplier effect, helping drive both the broader industry and the financial sector toward achieving sustainable development goals. **Government and the Public** Participate in international organizations and advocacy initiatives to support policy development; promote broader public awareness of sustainability concepts through expositions, forums, and public engagement activities, as well as enhance understanding of climate-related risks.	**Financial Assets** Set emission intensity or temperature targets for specific asset classes and establish exclusion criteria for industries, including thresholds for companies with a certain revenue proportion that are not actively transitioning. **Products & Services** Pursue growth targets in areas such as low-carbon investments, sustainable lending, green insurance, and corporate catastrophe services. **Engagement Targets** Engage with key companies in domestic investment and lending portfolios that account for a specific percentage of total carbon emissions.	Cathay oversees and manages the strategic development of climate- and nature-related risks and opportunities through its governance bodies and management levels. Cathay also strengthens its corporate culture and capability-building mechanisms to deepen organizational awareness and understanding of sustainability and climate risks across the group.

CHAPTER

03

Implementation Strategy

Cathay FHC developed corresponding strategic directions based on three operational pillars—financial assets, products and services, and business operations—to drive green transition and sustainable development. The company directs capital toward key areas of sustainable development, supporting investees and borrowers in accelerating their low-carbon transition, while expanding environmentally friendly financial products and services to generate positive impact. Additionally, Cathay FHC is advancing its Zero-Carbon Operation Transition Plan across three key areas: green energy, green operations, and green real estate. Cathay aims to accelerate the fulfillment of its net-zero emissions commitment and progress toward its sustainable development goals through concrete actions.

Cathay Financial Holdings

3.1 Financial Assets

Cathay FHC adopts Science Based Targets (SBTs) and industry exclusion and restriction policies as its primary strategies for addressing climate transition risks. The company follows internationally recognized methodologies to develop decarbonization pathways and establish specific reduction targets. At the same time, Cathay FHC has set timelines for exclusion and restriction measures aimed at specific industries. These measures are intended to mitigate climate change-related risks and manage potential adverse impacts that may arise from future business growth.

Strategic Direction

Science Based Targets (SBTs)

To achieve net-zero emissions in financial assets by 2050, Cathay's key strategy is to set emission reduction pathways for its investment and lending portfolios based on both emission intensity (emission-based) and financed impact (impact-based) approaches. In 2021, Cathay FHC began referencing the methodologies of the Science Based Targets initiative (SBTi) and the Partnership for Carbon Accounting Financials (PCAF) to conduct carbon inventory assessments of financial assets and to set reduction targets. In September 2022, Cathay's science-based targets (SBTs) were formally approved. Using 2020 as the base year, the approved targets currently cover 46% of total investment and lending activities. These include asset classes such as listed equity and corporate bonds, project finance in power generation, commercial real estate mortgage loans, and long-term corporate loans. For more information, please refer to ▶ Cathay FHC's Sustainability Report 2025.

Industry exclusion and restriction policies

Fossil fuels are among the primary drivers of climate change, and the pace at which countries phase out fossil fuels will directly affect the overall global cost of addressing climate change. How to effectively leverage the influence of the financial sector to facilitate the gradual phase-out of coal-, oil-, and natural gas–related industries, while simultaneously facilitating industrial transition toward a low-carbon economy, has become a crucial concern. In response, Cathay FHC has established exclusion and restriction policies related to the coal value chain and unconventional oil and natural gas across its investment, lending, and insurance businesses, with clearly defined exclusion criteria. For more information, see ▶ 5.4 Investment and Lending Risk Management and ▶ 5.5 Insurance Risk Management.

3.2 Products and Services

In addition to advancing climate mitigation solutions to address transition risks, the group is also actively strengthening the development of climate adaptation initiatives to enhance overall resilience to physical risks. Cathay FHC takes a comprehensive approach that considers both climate mitigation and adaptation. The company continues to develop a diverse range of green capital solutions, products, and services to help farmers, businesses, and industries address the challenges posed by climate change. This contributes to the development of a more resilient and sustainable society.

Strategic Direction

Green Capital

Mitigation

Promote low-carbon investment and lending by directing capital toward companies and projects with sustainable development potential.

Green Products

Mitigation

In response to climate-related transition risks, Cathay offers a diverse range of climate-related financial products, including green deposits, green funds, green insurance, and green bonds. These support industries in advancing toward a low-carbon transition while meeting customers' diverse needs for sustainable investment and consumption.

Adaptation

Develop and design crop insurance products to reduce the impact of climate anomalies on farmers' livelihoods, help farmers manage and mitigate natural disaster risks, provide risk protection for agricultural production, and enhance the stability and resilience of agricultural operations.

Promoting Climate Resilience & Social Equity: Cathay Century Insurance's Crop Insurance

Cathay Century Insurance recognizes the risks that climate change poses to agricultural production, particularly its disproportionate impact on more vulnerable farming communities. As such, Cathay Century Insurance launched Taiwan's first crop insurance, including the 2016 Mango Crop Insurance (government disaster relief-linked) and the 2019 Parametric Guava Crop Insurance (for wind speed of typhoon and rainfall). These products help farmers mitigate financial losses caused by natural disasters, offering necessary economic protection. As awareness of just transition continues to deepen, crop insurance is a real-life initiative performed by Cathay Century Insurance that addresses climate risk management and cares for our society's underprivileged. By working with the government, Cathay Century Insurance continues to strengthen risk management and resilience in the agricultural sector, demonstrating the proactive role that the insurance industry plays in a just transition.

Strategic Direction

Green Products

Adaptation

Provide renewable energy insurance to help green energy operators manage and mitigate natural disaster risks, reduce the impact of extreme weather events on the industry, and strengthen the operational resilience and disaster response capabilities of renewable energy facilities.

Strengthening the Resilience of Green Energy Supply: Cathay Century Insurance Promotes Renewable Energy Insurance

Cathay Century Insurance has been offering insurance products targeting the development and operations of green industries since 2010. In 2016, Cathay Century Insurance became the first company of its kind in Taiwan to offer insurance for offshore wind turbines. Cathay Century Insurance is committed to improving the competitiveness and expertise of insurance in the renewable energy sector. In 2019, the company formed a specialized Energy Insurance Team to improve risk identification capabilities, develop renewable energy–related business opportunities, and provide services through talent development, industry research, and strategic market positioning. Cathay Century Insurance continues to promote related insurance products that support the low-carbon transition as well as climate change mitigation and adaptation, thereby enhancing industry competitiveness and contributing to Taiwan's net-zero goals.

Green Services

Adaptation

Through corporate loss control seminars, advisory services, and the provision of corporate catastrophe services, Cathay Century Insurance helps industries identify and assess potential climate risks. These services improve energy supply resilience and enhance the overall climate adaptation capacity of various sectors—thereby reinforcing society's climate resilience.

Corporate Loss Control Seminar: 2025 Corporate Risk Seminar for the Net-Zero Transition

In recent years, there have been multiple fires and explosions at battery energy storage facilities around the world. This has raised concerns among businesses that adopting energy storage systems may increase the risk of fire and business interruption. In response, Cathay Century Insurance organized the "2025 Corporate Risk Seminar for the Net-Zero Transition", focusing on three key topics: renewable energy, energy storage safety, and carbon management. Through insights shared by cross-disciplinary experts, the seminar helped businesses identify emerging opportunities while strengthening their risk identification and response capabilities. Cathay Century Insurance hosts two to three corporate loss control seminars each year to promote risk management and increase disaster prevention awareness. Since 2005, the company has held 49 seminars, attracting over 2,800 participating companies and more than 5,000 cumulative attendees, and establishing the seminars as an important learning platform for corporate clients navigating the transition period.

3.3 Business Operations

Cathay is working to reduce operational carbon emissions through three strategic directions: Green Energy, Green Operations, and Green Real Estate. These efforts are advanced through the Zero-Carbon Operation Transition Plan, which supports the transition toward low-carbon operations. Cathay FHC became the first financial institution in Taiwan to join RE100 in April 2022, pledging to achieve 100% renewable energy use across global operations. In collaboration with the MOEA Bureau of Standards, Metrology and Inspection, Cathay has also developed the Green Leasing Program, which offers value-added services such as access to renewable energy. This initiative supports small and medium-sized enterprises (SMEs) in reducing their carbon footprints and advances shared environmental sustainability goals with stakeholders.

Strategic Direction

Green Energy

In 2022, Cathay FHC adopted the "Cathay Financial Holdings – Environmental and Energy Policy," which requires all subsidiaries to optimize resource use, address climate change, and manage environmental and energy-related operational and investment risks effectively across their business activities, products, and services. To ensure policy implementation, Cathay established a Green Operation Working Group to coordinate related efforts and provide comprehensive training and resource support.

Increase Use of Renewable Energy

As the first RE100 member in Taiwan's financial industry, Cathay FHC pledges to use 100% renewable energy across all global operations by 2050.

Install Solar Panels on Proprietary Buildings

Cathay actively evaluates the installation of solar power systems on its own buildings. The generated energy can be used onsite for self-consumption, reducing reliance on conventional electricity, or sold to Taipower under power purchase agreements, creating additional income streams.

Introduce Internal Carbon Pricing (ICP) Mechanism

Cathay has introduced internal carbon pricing through initiatives such as energy-saving and carbon-reduction campaigns. The collected carbon fees are reinvested into the Zero-Carbon Operation Transition Plan, given out as rewards for carbon reduction, or allocated for carbon credit purchases and green building certifications. This approach creates a virtuous cycle and enhances the synergy of sustainable development.

Green Operations

Cathay FHC is committed to minimizing the environmental impact of its operations through concrete initiatives such as the Three Workplace Strategies (Mobilize Operations, Digitalize Services, and Share Workspaces), water resource management, sustainable procurement, and participation in carbon credit trading. The company is also actively reimagining traditional workplace models and workflows to improve resource efficiency. These efforts not only help reduce mid- to long-term operational costs and carbon emissions but also enhance the Group's overall competitiveness and establish a solid foundation for sustainable business operations.

Green Real Estate

Cathay Life adheres to the "Responsible Property Investment and Management Policy" and rigorously manages risks associated with property development and operations. Since 2016, all real estate investment projects are required to meet green building design standards, demonstrating Cathay Life's commitment to advancing green real estate development. In 2022, to further accelerate corporate green transition, Cathay Life partnered with the MOEA Bureau of Standards, Metrology and Inspection to co-develop the Green Leasing Program 2.0 to resolve the issue of multiple tenants under one electricity bill number. Under this program, building owners centrally procure renewable electricity for the entire building and flexibly allocate it according to tenants' needs. By lowering barriers for SMEs to access renewable energy, the program supports customers in progressing toward net-zero emissions while fostering a low-carbon real estate ecosystem. This initiative not only demonstrates Cathay Life's concrete actions in advancing green real estate, but also reflects its proactive role in supporting clients in implementing climate mitigation solutions.

Green Real Estate Cycle

Green Landlord

- Purchase and distribute renewable energies for tenants
- Simplify access to renewable energies for tenants
- Work with tenants to strive for net zero emissions through using renewable energies

Development & Acquisition

- Control real estate development and operational risks in compliance with the "Responsible Property Investment and Management Policy"

Renovation

- Green retrofit buildings based on their purpose.
- Repurpose areas to reduce energy consumption.

Design & Construction

- Comply with green building standards for buildings developed in 2016 or later
- Include solar panels as one of the assessment items

O&M Management

- Introduce an information management system to strengthen building management efficiency
- Replace energy-guzzling equipment on a rolling basis to increase energy use efficiency

CHAPTER

04 Engagement Strategy

4.1 Engagement Method & Strategy

4.2 International Organizations & Initiatives

Cathay FHC positions itself as an enabler within the value chain, actively engaging in initiatives such as hosting forums and participating in international sustainability alliances. The company collaborates with suppliers, investees and borrowers, industry and financial peers, government agencies, and the general public to advance awareness of sustainability issues and expand the reach of financial influence. In parallel, Cathay FHC also works closely with academia, the public sector, and a broad range of stakeholders to explore the challenges and response strategies related to climate change, promoting cross-sector collaboration and driving holistic sustainable development.

4.1 Engagement Method & Strategy

Engagement Candidates			Overview
Value Chain	Upstream	Suppliers	Cathay is committed to working with suppliers to address social, economic, and environmental issues, while also reducing procurement-related risks and generating sustainable business opportunities, ultimately supporting the goal of sustainable supply chain management. Cathay has adopted the "Cathay Financial Holdings Sustainable Procurement Policy", referencing ISO 20400: Sustainable Procurement Guidelines. The policy evaluates suppliers across seven core dimensions: ethical governance, healthy workplaces, labor and human rights, environmental sustainability, fair business practices, consumer protection, and social contribution, thereby promoting sustainability awareness and action among partners.
Value Chain	Downstream	Investees/ Borrowers	Cathay has also established both the "Cathay Financial Holdings and Subsidiaries' Engagement Policy" and the "Cathay Financial Holdings and Subsidiaries' Engagement Guidelines", which support robust corporate governance, respect shareholder rights, and enhance transparency. These guidelines integrate corporate engagement and shareholder action into investment and lending processes, allowing ESG insights to be shared with target companies to improve performance, enhance value, reduce risk, and fulfill post-investment/lending responsibilities-maximizing sustainable financial impact. **Engagement Approaches** **Direct Engagement**: Engaging directly with target entities through communication channels such as phone calls, letters, emails, or in-person meetings to discuss ESG strategies, business operations, and other related topics **Collaborative Engagement**: Participating in or conducting engagement activities by signing or independently adhering to international ESG-related advocacy activities to influence responsible investment; collaborating with other financial institutions or international organizations to participate in or organize engagement activities
Industry/Finance Sector Peers			Furthermore, Cathay actively participates in industry associations and policy development efforts. This includes supporting regulatory agencies and government authorities in promoting sustainable finance policies, and leveraging engagement efforts to set an example that drives broader sustainable development across the financial and industrial sectors.
Government & Civil Society			Through participation in international organizations and initiatives, Cathay also aims to influence regional and local public sectors and policymakers. By organizing public-friendly expos and forums, Cathay raises sustainability awareness among the public and young communities to strengthen understanding of climate risks.

4.1.1 Engagement with Value Chain

Upstream | **Suppliers**

Sustainability Supplier Conference

Since 2016, Cathay has led the finance sector by hosting the Sustainability Supplier Conference to incorporate sustainability mindset into supply chain management. Under the theme, "Connecting for Sustainability • Advancing Green Prosperity," the 2025 conference focused on three key pillars: Endorsing Initiatives, Recognizing Excellence, and Commitment to Action. Suppliers were encouraged to support the Ministry of Environment's Green Procurement by Private Sector program by committing to the adoption of products and services bearing the eco-label. The event was attended by Deputy Minister Hsieh Yein-jui of the Ministry of Environment and representatives from more than 110 suppliers across sectors, including information technology equipment, energy-efficient MFPs, green construction, and sustainable interior design. For the first time, ten suppliers that had not previously participated in the Green Procurement program signed the initiative, demonstrating Cathay FHC's commitment to collaborating with business partners to advance sustainability and accelerate decarbonization across cross-industry supply chains. In 2025, Cathay FHC spent NT$1.534 billion on green procurement, representing a year-on-year increase of more than 80%. The company has also been recognized by the Ministry of Environment for 15 consecutive years as an Outstanding Enterprise in Green Procurement.

Downstream | **Investees/ Borrowers**

Cathay Sustainable Finance and Climate Change Summit

For the ninth consecutive year, Cathay FHC hosted the Cathay Sustainable Finance and Climate Change Summit. Held under the theme "Shaping a New Vision for Sustainability," the 2025 summit focused on two dimensions: the evolving landscape of sustainable finance in a disrupted world, and nature-positive, socially inclusive business transformation. The event brought together international climate experts and distinguished speakers from leading enterprises to share forward-looking sustainability perspectives and industry practices, providing Taiwanese enterprises with direction and role models as they advance toward resilient and sustainable transformation, while jointly creating a more sustainable and inclusive future. The 9th summit in 2025 reached a record high attendance, with more than 5,000 registrations for both in-person and online participation. More than 2,500 organizations participated, including over 700 listed companies (whose combined market capitalization accounted for approximately 80% of the total market capitalization of the Taiwan stock market). More than 50% of participating companies were from the six major carbon-intensive industries, while the number of participating directors and supervisors increased by nearly 90% compared to the previous year, demonstrating the high level of importance enterprises place on climate issues and their proactive actions in response.

Downstream	Investees/ Borrowers	CDP Corporate Banking Program Over 95% of companies in Taiwan are small and medium-sized enterprises (SMEs), which often have difficulty completing the standard CDP questionnaire due to technical thresholds, limited resources, or industry characteristics. Cathay United Bank (CUB) has provided feedback on CDP disclosures and has twice served on the advisory group for the SME version of the CDP questionnaire, contributing to the continuous enhancement of its questionnaire framework. CUB is also the first financial institution in Asia to participate in the CDP Corporate Banking Program. Through in-depth collaboration with CDP, CUB has helped create a more tailored questionnaire framework suitable for the operating models of Taiwan's SMEs. In addition, CUB continues to support enterprises in completing CDP environmental disclosures and obtaining CDP scores. As of the end of 2025, Cathay has supported over 200 disclosures. The initiative was expanded to overseas branches for the first time, establishing a cross-border model for corporate engagement and environmental disclosure promotion, thereby further expanding the scope of sustainability impact.

4.1.2 Engagement with Industry & Finance Sector Peers

Industry/Finance Sector Peers

Coalition of Movers and Shakers on Sustainable Finance

In 2022, Cathay FHC responded to the FSC's call and became a founding member of the Coalition of Movers and Shakers on Sustainable Finance, signing commitments on five key actions: green procurement, information disclosure, engagement with investees and borrowers, assistance and promotion, and aligning with international standards. Cathay also engages with high-carbon investees and borrowers across its major investment and lending portfolio, encouraging them to accelerate their transition and establish science-based emissions reduction targets. As a member of the Coalition of Movers and Shakers on Sustainable Finance launched by the Financial Supervisory Commission (FSC), Cathay FHC committed to, by 2025, engaging over 50% of its major investees and borrowers in Taiwan that are considered carbon-intensive companies and urging engagement candidates to set net zero emission goals before 2050. Companies that have fulfilled agreed goals are then encouraged to strive for more ambitious decarbonization goals. In 2025, Cathay engaged with 43 major investees and borrowers in Taiwan that are considered carbon-intensive companies.

Financial Industry Net-Zero Working Platform

To advance sustainable finance, the FSC and the Taiwan Financial Services Roundtable established the "Platform for Net Zero Promotion for the Financial Industry," bringing together members of the Coalition of Movers and Shakers on Sustainable Finance to lead various working groups. Among them, Cathay FHC serves as the convener of the "Funds and Statistics Workstreams". In 2025, the Group took the lead in optimizing the reporting and disclosure processes for Scope 1 and Scope 2 GHG emissions within the finance sector. It also analyzed challenges encountered by financial institutions during carbon inventory processes (e.g., the need to improve the availability of activity data) and proposed corresponding recommendations for improvement. In addition, the Group led an analysis of the strengths and weaknesses of Taiwan's financial industry in advancing net zero and sustainability initiatives. In collaboration with National Taipei University, it completed a review of international trends and a comparative assessment of Taiwan's current landscape. Policy recommendations were further proposed on topics including Transition Finance, financial-sector engagement, biodiversity, ESG and AI applications, and sustainable finance for SMEs, supporting regulators in formulating more forward-looking implementation strategies.

4.1.3 Engagement with Government & Civil Society

Government

Business for Nature

In 2023, Cathay FHC formally endorsed the COP15 Business Advocacy Campaign, joining the global business community in calling on governments to establish mandatory requirements for large multinational corporations and financial institutions to assess and disclose their impacts and dependencies on biodiversity.

Civil Society

Taiwan Climate Action Expo (TWCAE) and Cathay Climate Change Youth Forum

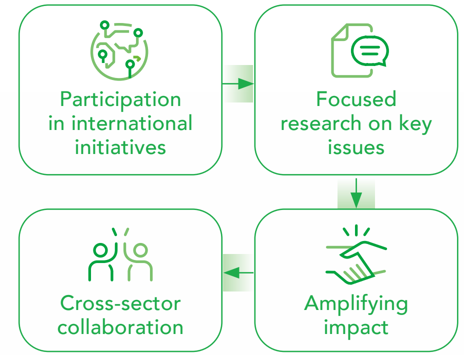
Climate change is a topic of concern among the younger generation. Since 2020, Cathay FHC has hosted the Cathay Climate Change Youth Forum, connecting cross-sector resources and building a platform for youth-society dialogue. The forum encourages critical thinking, action, and creativity through collaboration with the Ministry of Education on innovation competitions. Beginning in 2022, Cathay has been co-hosting the Taiwan Climate Action Expo (TWCAE) with the International Climate Development Institute, incorporating a youth forum into the expo to also expand the impact of Cathay's climate empowerment initiatives for young people. Cathay has also established "Cathay ESG Insights", hosted youth salons and climate lectures, promoting public awareness of sustainability, with the aim of prompting action by building understanding.

The 6th forum in 2025 was held under the theme "Next Zero Gen: Co-Creating Visions with Climate Youth" to support the "Global Ethical Stocktake" initiative launched in COP30. The forum adopted a "world café" format, bringing together young people to share their climate actions and reflect on the interactions and relationships between people and nature. Local Kaohsiung artists and craftspeople were also invited to observe and capture discussions in progress through live sketches, giving form to the thoughts and visions of youth as they pursue a net-zero future. In addition, Cathay FHC also collaborated with the Ministry of Education on the Climate Change Innovation Competition and Senior High School AI Net Zero Future Innovation Camp and Showcase Competition, giving winning teams a platform to share their creative ideas and continuously empower young people to drive climate action.

Annual Themes of the Cathay Climate Change Youth Forum

2020	2021	2022	2023	2024	2025
Sharing insights on COP25, SBTi, and carbon market developments	Building on COP26 to explore the influence of finance	Promoting circular economy to create green business opportunities	Advocating impact investing and engaging youth in dialogue	From Science to Action: Critical Thinking on Climate Science and Accelerating Net-Zero Action	Next Zero Gen: Co-Creating Visions with Climate Youth

4.2 International Organizations & Initiatives



As global attention on environmental sustainability continues to grow, international advocacy efforts are expanding their focus beyond climate change to encompass nature and biodiversity. Cathay recognizes the strong interconnection between climate change and biodiversity loss, and actively engages in international organizations and advocacy initiatives to promote responsible capital management. Through in-depth dialogue with investees and borrowers, Cathay not only emphasizes the potential financial implications of these issues but also introduces risk management frameworks and response strategies. These efforts support industries in transitioning toward a low-carbon economy while promoting nature-positive growth. For full details, please refer to ▶ Cathay FHC's Sustainability Report 2025.

Climate-related Organizations & Initiatives

LOGO	Organization/Initiative	Cathay's Role
AIGCC ASIA INVESTOR GROUP ON CLIMATE CHANGE	**Asia Investor Group on Climate Change (AIGCC)**	Cathay FHC joined AIGCC in 2016 as a founding member, with Senior Advisor Sophia Cheng serving as the AIGCC chair and director, providing her views and suggestions on the group's projects and encouraging Asian investors to commit to net-zero emissions. Cathay Life and Cathay SITE also joined in 2024.
	Asia Utilities Engagement Program (AUEP)	AUEP was launched by AIGCC to engage eight public utility companies in Asia. Since joining in 2021, Cathay FHC and Cathay Life have worked together with international investors to encourage public utility companies to strengthen management over climate risks and opportunities and take more initiative over coal divestment, energy transition, and other climate issues.
Climate Action 100+	**Climate Action 100+**	Cathay Life and Cathay SITE became signatories at the initiative's launch in 2017—the first Taiwanese financial institutions to join. Cathay engages directly with three selected Taiwan-based companies, encouraging them to enhance their net-zero commitments while also seeking to understand their transition challenges through communication and working together to explore solutions.
CDP	**CDP Non-Disclosure Campaign (CDP NDC)**	In 2017, Cathay FHC became the first Taiwanese financial institution to join CDP. It has long supported investee companies by communicating via emails and calls to assist with CDP questionnaire disclosures and enhancing the transparency of their climate management.
	CDP Corporate Banking Program	CUB became the first financial institution in Asia to collaborate with the CDP on this project in 2023, and has since continued its collaboration, inviting customers to complete the CDP survey, introducing them to the importance of net zero emissions and environmental management, and improving the quality of their carbon disclosure.
PCAF Partnership for Carbon Accounting Financials	**Partnership for Carbon Accounting Financials (PCAF)**	Cathay FHC joined PCAF in 2022 to support the financial sector in measuring and disclosing the climate risks of investment and lending portfolios. Cathay also contributes to the development of carbon accounting methodologies for financial assets.

國泰金控
Cathay Financial Holdings

Nature- and Environment-related Organizations/Initiatives

LOGO	Organization/Initiative	Cathay's Role
EQUATOR PRINCIPLES	Equator Principles (EPs)	In 2015, CUB became the first bank in Taiwan to adopt EPs, incorporating social and environmental impact factors into assessment for project finance.
Ceres Sustainability is the bottom line.	Ceres Valuing Water Finance Initiative	Cathay FHC and Cathay Life became founding members of Ceres Valuing Water Finance Task Force in 2020, working with other members to develop suggestions to corporations on water management action plans and to the initiative for future developments. Formally established in 2022 to engage 71 companies with a high water footprint, Ceres' goal is to get these companies to recognize and evaluate water risks and take action.
PBAF Partnership for Biodiversity Accounting Financials	Partnership for Biodiversity Accounting Financials (PBAF)	In September 2022, Cathay FHC became the first corporation in Taiwan to join PBAF, strengthening Cathay FHC's management of biodiversity issues and more effectively managing our natural capital.
TNFD Forum Member	Taskforce on Nature-related Financial Disclosures (TNFD)	Cathay FHC became a TNFD Forum member in 2022 and has since referenced the TNFD framework to disclose nature-related risks and opportunities. In 2023, Cathay further advanced its commitment by becoming a TNFD Adopter. Cathay FHC's Climate and Nature Report 2024 was reviewed by TNFD and subsequently published on the TNFD website in December 2025 as a disclosure case study. See the TNFD website for details >>
Taiwan Nature Positive Initiative 自然與生物多樣性倡議平台	Taiwan Nature Positive Initiative (TNPI)	Cathay FHC joined TNPI in 2022 to support and assist Taiwan corporations with improving their resilience and ability to respond to nature-related risks. The platform was initiated by the Business Council for Sustainable Development of the Republic of China (BCSD Taiwan) and aims to encourage participation in nature and biodiversity conservation as well as the cultivation of related professionals.
BUSINESS FOR NATURE	Business for Nature	In February 2023, Cathay FHC formally endorsed the COP15 Business Advocacy Campaign, which calls on governments worldwide to take immediate policy action to halt and reverse the decade-long trend of nature loss. This initiative has received support from over 1,500 companies and financial institutions across 86 countries, representing more than US$7.5 trillion in revenue.
Nature Action 100	Nature Action 100	Cathay Life became one of the first financial institutions to join Nature Action 100 and participate in its engagement working group. The initiative brings together 230 global institutional investors to engage with 100 companies across the food, chemicals, forestry, and pharmaceuticals sectors—all considered systemically important to halting and reversing nature and biodiversity loss by 2030. Through this engagement, Cathay aims to encourage stronger corporate actions to protect and restore ecosystems, thereby reducing nature-related financial risks.

CHAPTER

05

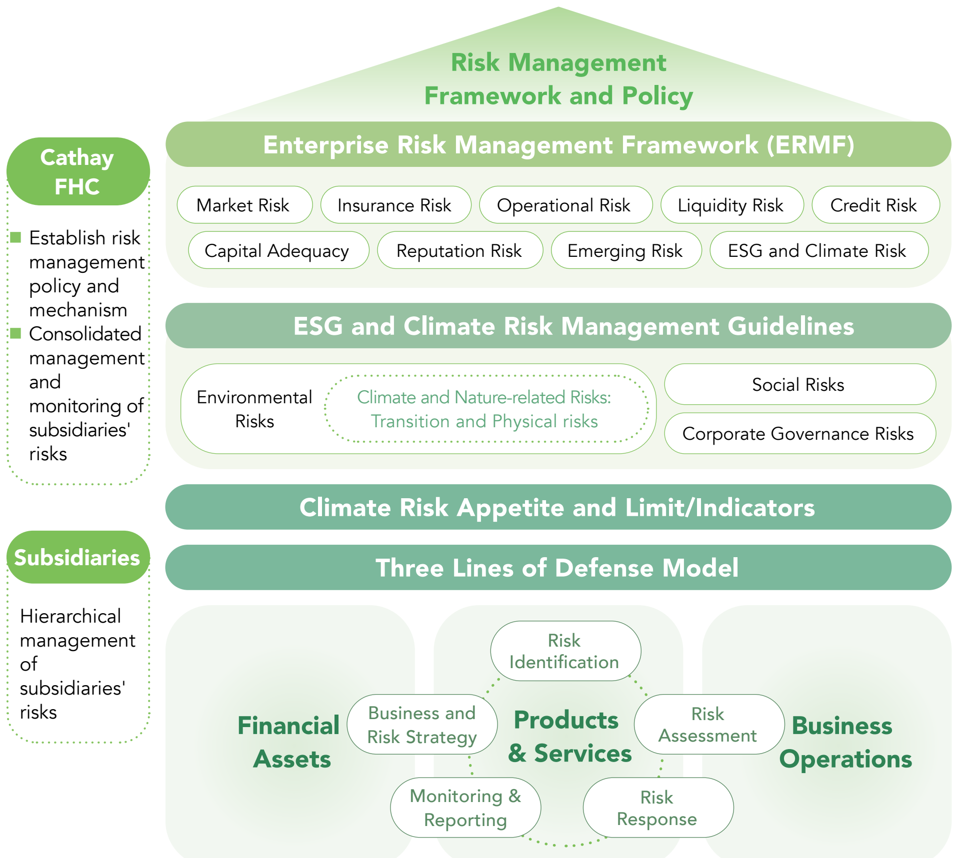
Risk Management

Cathay FHC integrates ESG and climate risks into its Enterprise Risk Management Framework (ERMF), adopting a systematic approach based on the processes of identification, assessment, response, monitoring, and reporting. This is complemented by adjustments to business and risk strategies to comprehensively assess the potential impacts of climate change on investment and lending, products and services, and business locations. Additionally, Cathay is actively exploring and adopting innovative meteorological data technologies. The company is leveraging climate models and big data analytics to improve the accuracy and predictive capabilities of climate risk forecasting. Cathay strengthens its risk management effectiveness by integrating advanced technologies. This allows the company to develop more flexible and targeted response measures to address the evolving challenges of climate change. These measures ensure business continuity, resilience, and operational stability.

5.1 Risk Management Framework and Policy

ESG and Climate Risk Management Framework

Cathay FHC adheres to the Enterprise Risk Management Framework (ERMF) to establish the Cathay Financial Holdings Risk Management Policy, which governs various key risks. It sets guidelines for managing market, insurance, operational, liquidity, credit, capital adequacy, reputation, emerging, ESG, and climate risks, while controlling industry concentration risks. In addition, it identifies, measures, and analyzes climate-related risks through the Three Lines of Defense Model based on the responsibilities of each line. The assessment includes the impact on financial assets, products and services, business operations, etc., and develops control measures and response strategies.



ESG and Climate Risk Management Foundations and Actions

Cathay FHC declared a Risk Appetite Statement to announce the company's tolerance to climate risks. The Statement was compiled in reference to information from external agencies and sets limits on industries sensitive to ESG risks such as climate change, natural capital, and human rights. The goal is to set concentration risk limits and regularly monitor any changes in risk exposure. In addition to climate risk management, Cathay is also developing business continuity management (BCM). The company has received certification for ISO 22301 - Business Continuity Management to strengthen emergency response against serious emergencies such as natural disasters.

Climate Risk Appetite and Limit

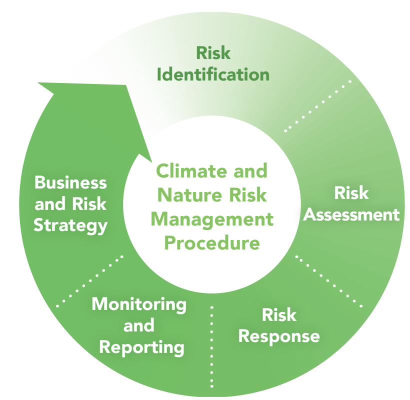
In 2023, Cathay FHC formulated the Climate Risk Appetite Statement. Along with the control mechanism of the statement, Cathay refers to data from external institutions, global trend considerations, and recommendations from internal experts to assess issues such as climate change, natural capital, and human rights. The control mechanism also helps the company identify sensitive industries, set limits, and integrate internal risk management processes.

Climate Risk Appetite Statement

It is suggested to reduce the exposure or the undertaking of cases related to industries or enterprises sensitive to the climate change risk and areas with higher physical risk that are evaluated to be difficult for management and risk control.

Climate and Nature Risk Management Procedure

- **Risk Identification:** Identify the transmission pathways of climate and nature risks and their impacts on traditional financial risks
- **Risk Assessment:** Assess potential financial impacts through greenhouse gas inventory categories, scenario analysis, and stress testing.
- **Risk Response:** Establish investment and lending management mechanisms and limits, implement engagement actions, and develop climate and nature-related risk mitigation measures. Identify potential business opportunities arising from climate and nature, and plan and execute product and service offerings as well as capital allocation.
- **Monitoring and Reporting:** Continuously monitor changes in the internal and external environment, and regularly report to the Risk Management and Information Security Committee as well as the Board of Directors.
- **Business and Risk Strategy:** Incorporate the assessment results of climate and nature-related risks into business and risk strategy planning, timely optimizing strategic directions to ensure effective integration of the risk strategy framework with business processes.



Cathay Financial Holdings

Contents

Cathay's Nature Risk Assessment Framework

In terms of natural risk identification and assessment, Cathay FHC recognizes that the relationship between its investment, lending, and insurance products and nature is relatively indirect and dispersed, and that the large scale of its portfolios—spanning multiple industries and countries—makes it difficult to access related location data. Accordingly, to align with practical needs, the LEAP approach has been adapted into an ELAP framework for analysis. Cathay FHC first applies the ENCORE tool to identify the degree of nature-related dependencies and impacts across industries, and subsequently conducts geospatial mapping and scenario analysis for key sectors. The results are then used to enhance engagement strategies and risk management practices.

Assessment Process

Evaluate (E)

Identify dependencies and impacts across industries

Use the ENCORE tool and nature-related metrics to assess the degree of dependency and impact for each industry

Locate (L)

Overlay analysis

Use key factors to identify industries requiring priority and then conduct overlay analysis for its geographical locations

Assess (A)

Scenario analysis

Conduct scenario analysis and financial impact analysis for identified industries

Prepare (P)

Nature-based responses

Refine investment and lending, products and services, engagement strategies, and nature risk management practices in reference to analysis results

Corresponding Chapter/Section

Assessment and Exposures of Dependencies and Impacts on Natural Resources
- 5.2 Concentration Risk Identification

Water and Forest Risk Analysis
- 5.4.2 Nature Risk Assessment and Evaluation

Biodiversity-Sensitive Location Overlay Analysis
- 5.4.2 Nature Risk Assessment and Evaluation

Impact of Water Scarcity and Drought on Investment and Lending Portfolios
- 5.4.1 Climate and Nature Scenario Analysis for Investment and Lending

Advance Investment and Lending & Products and Services
- 3.1 Financial Assets
- 3.2 Products and Services

Advance Engagement Strategies
- 4.1 Engagement Method & Strategy
- 4.2 International Organizations & Initiatives

Advance Risk Management Practices
- 5.4.3 Industry Risk Management Mechanism
- 5.4.4 Industry Exclusion and Restriction Policy
- 5.4.5 Responsible Investment and Lending Policy

5.2 Concentration Risk Identification

Assessment and Exposures of Dependencies and Impacts on Natural Resources

Cathay FHC utilizes the ENCORE tool to assess the key drivers of nature-related dependencies and impacts across industries within its lending, investment, and underwriting portfolios. Results indicate that dependency on water resources is, on average, higher than dependencies on other factors. As for impacts, water use, pollution, and disturbances to species are identified as significant factors, while most industry activities result in broad impacts on overall ecosystems. Cathay spotlights industries with high dependencies and impacts according to qualitative ENCORE assessment results on externalities. The Group prioritizes the top three industries by exposure for further overlay analysis with sensitivity maps. For industries with high dependence on water, the Group conducts drought scenario analysis to strengthen identification and management of nature-related risks.

Environmental Risk Hotspots

■ Very High ■ High ■ Medium ■ Low ■ N/A

Industry	Dependence					Impact						Exposure share (%)	
	Water resources	Air	Species	Soil	Habitats	Water use	Use of other resources	Climate change	Changing ecosystems	Pollution	Species disturbances	Investment and lending	Insurance underwriting
Industrial Ancillary Services	Low	Low	Low	Low	Low	Low	N/A	Medium	Low	Low	Low	2.0	22.9
Industrials	Low	Low	Low	Low	Low	Low	N/A	Low	Low	Low	Medium	1.9	6.6
REITs & Services	Low	Low	N/A	Medium	Low	Low	N/A	Low	N/A	Low	Low	2.3	0.8
Real Estate Management & Development	Medium	Low	Low	Very High	Low	Low	N/A	High	Very High	Medium	High	2.0	0.8
Utilities	Medium	Low	Low	Low	Low	Low	Medium	Very High	Low	Medium	High	4.2	2.9
Public Administration	Low	Low	Low	Low	Low	Low	N/A	Low	N/A	Low	Low	20.0	0
Consumer Staples	Very High	Low	Medium	Medium	Low	High	High	Low	Low	Medium	Medium	2.9	1.7
Oil and Natural Gas	Low	Low	Low	Low	Low	Low	N/A	High	Low	High	High	6.0	0.1
Renewable Energy	Medium	Low	Low	Low	Low	Low	N/A	Low	N/A	Low	Medium	0.3	0.8
Financials - Non-bank	Low	Low	N/A	Low	Low	Low	N/A	Low	N/A	Low	Low	11.4	3.6
Financials - Banking	Low	Low	N/A	Low	Low	Low	N/A	Low	N/A	Low	Low	19.0	1.1
Consumer Discretionary Services	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	1.0	8.6
Consumer Discretionary Goods	Low	Low	Low	Low	Low	Low	N/A	Low	N/A	Low	Medium	1.0	1.8
Technology Hardware & Semiconductor	Low	Low	Low	Low	Low	Low	N/A	Low	N/A	Low	Medium	7.7	25.4
Materials	Medium	Low	Low	Low	Low	Low	High	Medium	Low	High	High	2.9	4.5
Software & Technical Services	Low	Low	Low	Low	Low	Low	N/A	Low	Low	Low	Low	0.9	0.4
Media	Low	Low	Low	Low	Low	Low	N/A	Low	Low	Low	Low	2.1	0.3
Retailers	Low	Low	Low	Low	Low	Medium	N/A	Medium	N/A	Low	Low	3.1	17.1
Telecommunications	Low	Low	Low	Low	Low	Low	N/A	Low	Low	Low	Low	5.0	0.1
Healthcare	High	Low	Low	Low	Low	Low	N/A	Low	N/A	Low	Low	4.3	0.5
Total												**100**	**100**

Note 1: Investment assets include Cathay Life, CUB, Cathay Securities, Cathay Century Insurance, Cathay Venture, and Cathay SITE; lending assets include Cathay Life and CUB; underwriting assets include Cathay Century Insurance.

Note 2: The exposure ratio for investments and lending is calculated as exposure to a given industry to the overall exposure at the end of December 2025. The exposure to a given industry includes non-cash-equivalents marketable securities (domestic and overseas equities and bonds, OTC stocks, short-term securities) and corporate lending credit facilities related to that industry.

Note 3: The exposure ratio for underwriting assets is calculated as exposure to a given industry relative to total underwriting assets as of the end of December 2025. The exposure to a given industry includes gross written premiums (net of commission costs) from in-force property insurance policies, including fire insurance, engineering insurance, marine insurance, miscellaneous insurance, commercial auto insurance, and project insurance.

Note 4: ENCORE provides the level of dependency and impact on natural capital and driving factors for all industry classifications.

Climate and Nature Physical Risks: Flood Risk of Cathay Sites, Owned Real Estate, and Residential Mortgage Portfolio

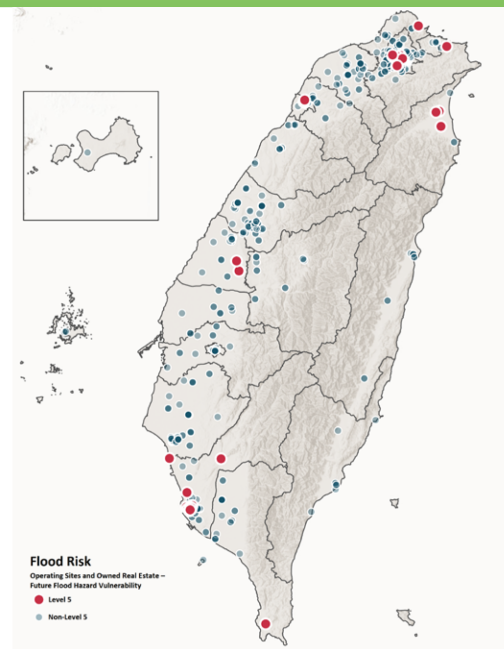
Background

Using flood risk data [Note 1] provided by the National Science and Technology Center for Disaster Reduction, Cathay FHC overlays projected flood risk maps extending to the end of the century, classifying flood hazard vulnerability into five tiers, with level five representing the highest flood hazard vulnerability. The analysis overlays flood risk maps with operating sites, owned real estate, and residential mortgage collateral properties of Cathay FHC, Cathay Life, CUB, Cathay Century Insurance, Cathay Securities, Cathay SITE and Cathay Venture Capital to assess level five flood physical risks under climate change scenarios.

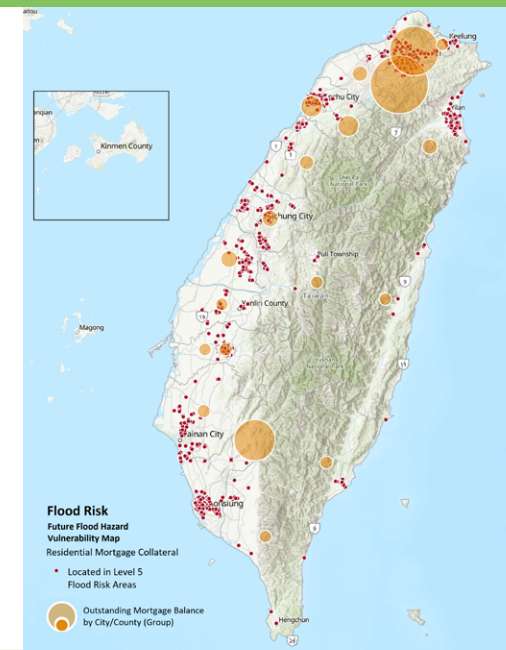
Analysis Results

As of December 31, 2025, operating sites [Note 2] classified as having Level 5 future flood hazard vulnerability accounted for 4.7% of all operating sites (assurance) , owned real estate classified as having Level 5 future flood hazard vulnerability accounted for 3.9% of all owned real estate (assurance), and the outstanding balance of residential mortgages [Note 3] classified as having Level 5 future flood hazard vulnerability accounted for 5.5% of the total outstanding residential mortgage balance. (assurance)

Operational Sites and Owned Real Estate Located in Level 5 Risk Zones



Mortgage Collateral Located in Level 5 Risk Zones



Note 1: The NCDR Flood Risk Map is based on the Version 3 Multi-model and multi-spatial scale risk maps developed by the National Science and Technology Center for Disaster Reduction (NCDR).

Note 2: Operating sites are based on the domestic operating locations of Cathay FHC and its subsidiaries as of December 31, 2025. The scope includes operating sites in owned real estate, group-internal leased premises, and externally leased premises. Each headquarters, bank branch, company branch office, service center (including operations centers, regional centers, and customer service centers), office building, campus, communications office, and corporate banking group is counted as one operating site. If any unit at or below the department level is not located at the same site as the aforementioned units, it is counted separately as one operating site.

Note 3: The analysis covers domestic residential mortgage loans extended to individual borrowers. Mortgage collateral refers to completed residential properties serving as collateral for such mortgage loans.

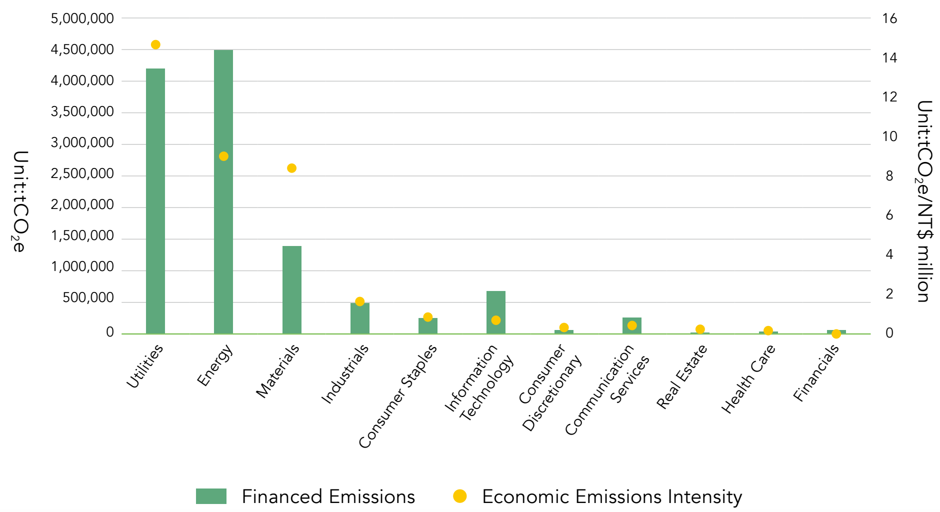
Risk Response Measures

Cathay regularly reviews its operating sites and owned real estate to assess safety and potential impacts, having established a Business Continuity Management (BCM) program and is implementing physical risk adaptation plans to increase resilience to climate change. Cathay has also introduced a management framework for its mortgage business. This framework includes monitoring geographic concentration in high-risk zones and assessing the quality of collateral assets. These measures are designed to effectively manage and mitigate associated risks.

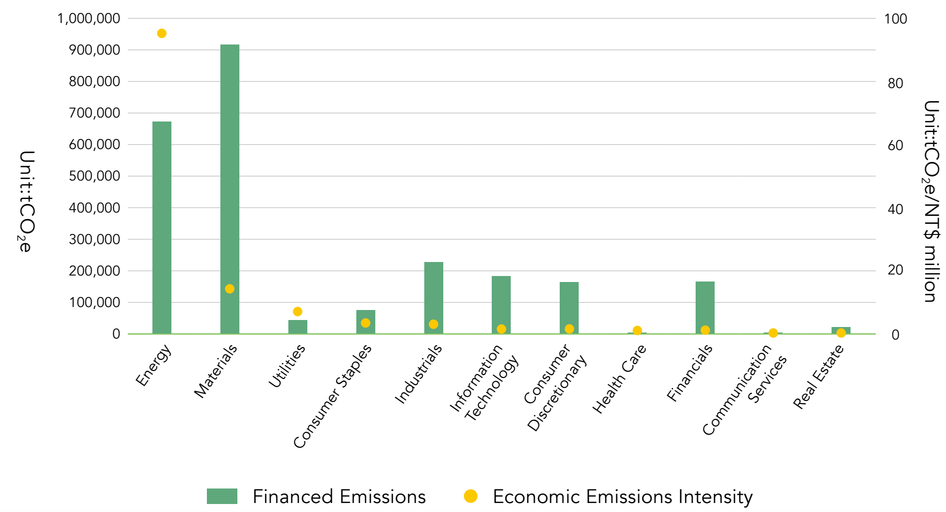
Climate Transition Risk: Financed Emissions of Investment and Lending Portfolio by Sector

In 2025, the economic emissions intensity of Cathay FHC's investment and lending portfolio is primarily concentrated in the utilities, energy, and materials sectors. Together, these three sectors account for approximately 81% of the portfolio's financed emissions. For more information, please refer to ▶ Cathay FHC's Sustainability Report 2025.

2025 Industry Emissions Distribution of Investment Assets (Proprietary Assets and Assets Under Management)



2025 Industry Emissions Distribution of Lending Assets



Note 1: Industries are classified using the Global Industry Classification Standard (GICS) at the 2-digit industry level.
Note 2: Financed emissions refer to the Scope 1 and Scope 2 emissions of investees and borrowers.
Note 3: Proprietary investments cover investments of Cathay Life, CUB, Cathay Century Insurance, Cathay Securities, with the inclusion of Cathay Venture in 2025; AUMs cover investments of Cathay SITE, while lending assets cover those of CUB and Cathay Life.
Note 4: Investment assets in 2025 include listed equities, corporate bonds, unlisted equities, and commercial real estate investments, excluding sovereign bond investments. Lending assets refer to business loans.
Note 5: The financed emissions data coverage rate is 100% in 2025. Cathay calculates and estimates emissions using methodologies recommended by PCAF. These include: estimating emissions based on electricity usage per floor area (EUI) by building type; estimating emissions based on operational data; applying industry-specific emission factors derived from carbon data provided by MSCI and Bloomberg; or allocating emissions using financial data or book values from the most recent year.

Climate Transition Risk: Emissions Distribution by Insurance Type in Insurance Product Portfolio

In 2022, Cathay Century Insurance adopted the EU Taxonomy for Sustainable Activities and referred to the CRO Forum methodology to estimate the emissions intensity of its primary insurance lines, such as motor insurance and energy power plant insurance. In 2023, it formally adopted the Partnership for Carbon Accounting Financials (PCAF) methodology to calculate insurance-associated emissions intensity for motor insurance and commercial insurance. Later, in 2024, Cathay Century Insurance became the first property insurance provider to obtain third-party assurance. In 2025, Cathay Century Insurance adopted the latest PCAF methodology, Part C – Insurance-Associated Emissions, Second Edition (2025), released at the end of 2025. The updated methodology expanded the scope of insurance-associated emissions accounting to include project insurance and treaty reinsurance, further enhancing the completeness of its accounting framework and disclosures. Cathay Century Insurance will continue to measure greenhouse gas emissions associated with its underwriting portfolio using the PCAF methodology. The accounting results will serve as an important basis for future decarbonization planning and underwriting portfolio adjustments, with the goal of strengthening the portfolio's climate resilience and enhancing information transparency. For more detailed information, please refer to ▶ Cathay Century Insurance's 2025 Sustainability Report or the ▶ 2025 Climate and Nature Report.

5.3 Overview of Climate and Nature Scenario Analysis

Cathay FHC analyzes the financial impacts of GHG emissions and droughts on its investment and lending assets, products, services, and own operations across various scenarios. The company conducts climate and nature-related scenario analyses and incorporates quantified results into risk management strategies to advance risk management mechanisms, reducing potential impacts on financial businesses and promoting sustainable finance.

Scenario Analysis Overview

Cathay FHC's scenario analysis covers financial assets, products and services, investment properties, and own operations. The scope of the value chain assessed is downstream/customers and operating sites. Details are as follows:

Business Scope	Value Chain	Description of Scenario	Scenario Selection	Category	Time Horizon	Scope	Frequency	Reference
Financial Assets	Downstream/ Clients	Tighter Regulations and Natural Disasters Impacting Investment and Lending Positions	NGFS、IPCC AR6	Physical - acute and chronic Transition - policy and regulations	1-year, 2030, 2050	Global	Semi-annually	▶ 5.4.1 Climate and Nature Scenario Analysis for Investment and Lending
Financial Assets	Downstream/ Clients	Impact of Water Scarcity and Drought on Investment and Lending Portfolios	IPCC AR6	Physical - acute and chronic	2030, 2040, 2050	Taiwan	Annually	
Products & Services	Downstream/ Clients	Climate Change Impact on Typhoon and Flood Insurance Claims		Physical - acute and chronic	2030 and 2050	Taiwan	Annually	▶ 5.5.1 Climate Scenario Analysis for Insurance
Products & Services	Downstream/ Clients	Temperature Change Impact on Life Insurance Death Benefits and Inpatient Claims		Physical -chronic	2035, 2050, 2100	Taiwan	Annually	
Investment Property	Downstream/ Clients	Impact of Flooding and Landslides on Self-use/Investment Properties under Climate Change		Physical - acute and chronic	2030, 2050, 2080	Taiwan	Semi-annually	▶ 5.6.1 Climate Scenario Analysis for Real Estate
Cathay's Operations	Operational sites							

Note 1: Limitations of scenario analysis data and models: data gaps, uncertainty in assumptions, challenges related to time horizons, and model limitations.
Note 2: NGFS: Network for Greening the Financial System; IPCC: Intergovernmental Panel on Climate Change.

Cathay Financial Holdings

5.4 Investment and Lending Risk Management

To better understand the impact of climate risks on investment and lending positions, Cathay FHC refers to literature from international financial regulators and standards from international organizations on financial risk exposure when conducting comprehensive scenario analysis. Through this scenario analysis, Cathay aims to identify potential transmission pathways and assess the financial impact of climate-related risks. This analysis serves as a critical basis for developing risk mitigation strategies and gives comprehensive insight into the potential impacts of climate change on asset value. The results of the analysis will form the basis for formulating risk strategies, developing risk management measures and adjusting investment and lending strategies to strengthen risk control in times of uncertainty.

5.4.1 Climate and Nature Scenario Analysis for Investment and Lending

Tighter Regulations and Natural Disasters Impacting Investment and Lending Positions

Background

Cathay conducts scenario analysis of climate change based on the "Plan for Climate Change Scenario Analysis of Domestic Banks," utilizing scenarios from the NGFS and IPCC to evaluate transition and physical risks. Cathay FHC classifies domestic and international investment/lending positions by industries and regions into different risk categories. The analysis evaluates the expected losses in the short-term, 2030, and 2050 under the "orderly" and "disorderly" scenarios to inform asset strategies and planning.

Analysis Procedure

Climate Scenario
NGFS and IPCC Scenarios

Identification of transition (Carbon fees [Note 1]) or physical risks (droughts, floods, landslides, etc.)

Parameters
Country, industry, loan-to-sales ratio, full guarantee ratio, CLTV, and DBR

Formula
Expected Losses = Probability of Default (PD) X Loss Given Default (LGD) X Exposure at Default (EAD)

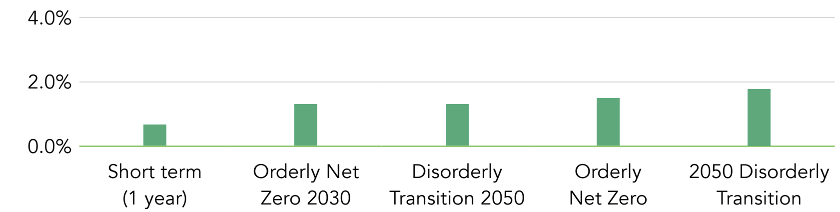
Results
Expected losses as a percentage of net value for investment/lending positions across different time horizons and climate scenarios

Note 1: Carbon fees taken from corresponding NGFS scenario and time horizon
Note 2: CLTV: Current loan-to-value ratio; DBR: Debt burden ratio

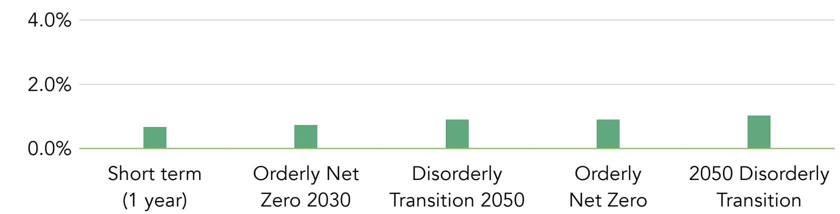
Analysis Results

Across different climate scenarios and time horizons, expected losses represented approximately 0.7%–1.8% of net equity for investment portfolios and approximately 0.7%–1.0% for lending portfolios.

Ratio of Expected Losses on Investment Portfolios to Net Equity



Ratio of Expected Losses on Lending Portfolios to Net Equity



Risk Response Measures

Cathay FHC and its subsidiaries have policies in place to address risks, as well as regularly reviewing and adjusting standards, actively engaging with other corporations, and strengthening and ensuring climate risk resilience across group-wide investment and lending positions. For more information, please refer to ▶ 5.4.3 Industry Risk Management Mechanism, ▶ 5.4.4 Industry Exclusion and Restriction Policy, and ▶ 5.4.5 Responsible Investment and Lending Policy.

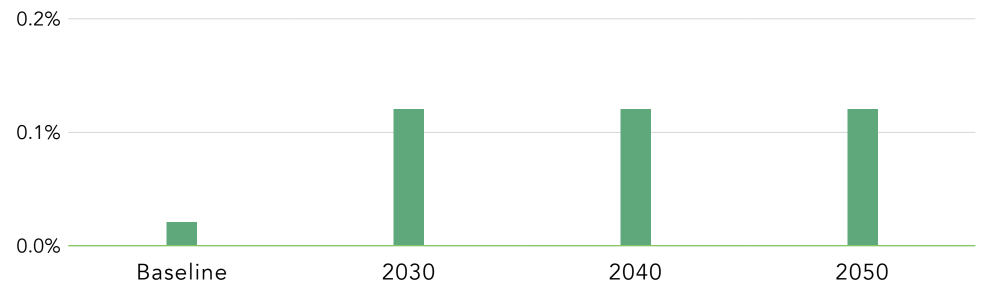
Impact of Water Scarcity and Drought on Investment and Lending Portfolios

Background

Cathay FHC conducts drought scenario analysis under the TNFD framework's water replenishment indicator. In this assessment, Cathay uses the operational sites or major manufacturing facilities of its investment and lending holdings as the spatial benchmark. It integrates corporate water withdrawal intensity, business operating information, and regional drought expectation data to build an evaluation framework of "water withdrawal intensity – drought exposure – expected losses." The results are then aggregated to the portfolio level by weighting exposure amounts. For industries with high water withdrawal intensity (selected raw materials, consumer staples, technology hardware, and semiconductors), the analysis calculates the impact of drought risk on investment and lending positions under the SSP1-2.6 (SSP126) climate scenario as the baseline.

Analysis Results

Ratio of Expected Losses to Net Worth



Under the drought scenario analysis for water resources across different time horizons, the expected loss of the investment and lending portfolio is estimated to represent approximately 0.04%~0.12% of net worth. Overall, the associated risk is considered manageable.

Risk Response Measures

Cathay FHC and its subsidiaries will continue to monitor the utilization of investment and lending limits in highly sensitive industries. The entities will track and assess exposure in geographic areas with high water-resource risk and strengthen the group's investment and lending portfolio resilience to climate-related risks.

Contents

5.4.2 Nature Risk Assessment and Evaluation

Water and Forest Risk Analysis

Cathay FHC bases its assessment on analyses of natural capital dependencies and impacts provided by ENCORE. The assessment also references TNFD's "Sector Guidance: Additional Guidance for Financial Institutions" and international leading practices. Considering data availability and disclosure transparency, Cathay FHC introduced two nature-related assessment indicators, "water" and "forests," for the first time in 2025. These indicators cover its domestic and international listed equity and bond investment portfolios. The indicators are designed to proactively identify potential nature-related risks and strengthen internal management mechanisms and decision-making processes. In 2026, the Group will continue to enhance the scope of its analysis by further incorporating lending exposures to domestic listed companies.

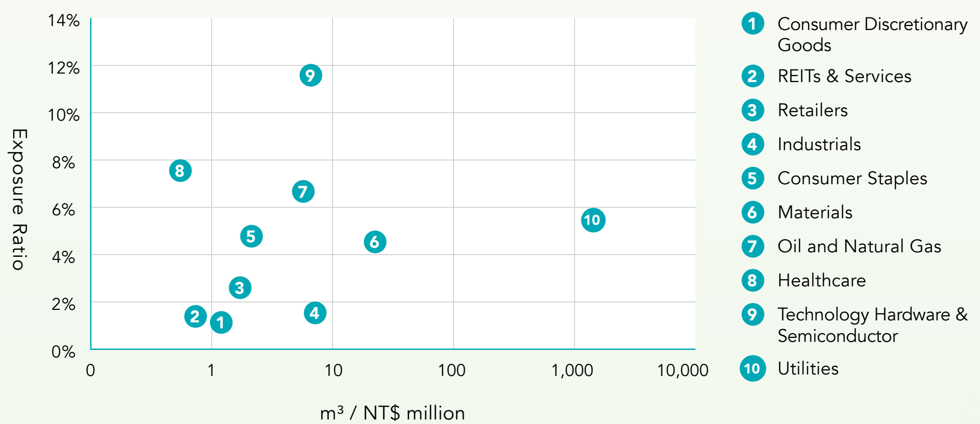
Water Risk

Cathay FHC uses the following three assessment metrics for water risk analysis: water withdrawal intensity, water consumption intensity, and water management mechanism. Water withdrawal intensity and water consumption intensity reflect the level of a company's reliance on and actual use of water resources in its operations, helping assess both its dependency on water and the environmental impact of its activities. The existence of a water management mechanism (including targets) indicates whether a company has established relevant governance mechanisms.

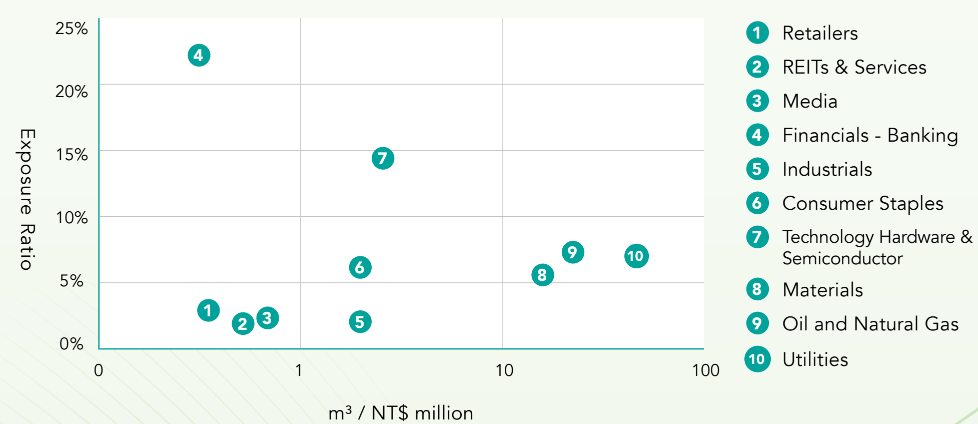
Water Withdrawal Intensity and Water Consumption Intensity

The utilities sector demonstrates significantly higher levels of both water withdrawal intensity and water consumption intensity compared with other industries, reflecting a greater dependence on water and a higher environmental impact. As such, further attention should be paid to the effectiveness of the sector's water management practices.

Weighted Average Water withdrawal Intensity: Top 10 Industries



Weighted Average Water consumption Intensity: Top 10 Industries



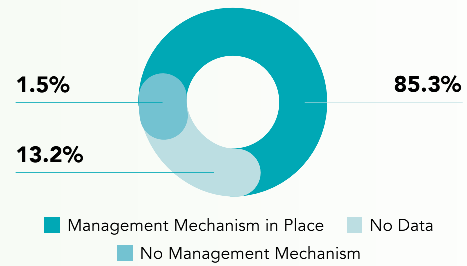
Note 1: As of December 2025, the assessment covers domestic and international listed equity and bond holdings, as well as lending exposures to domestically listed companies.
Note 2: Investment exposures cover Cathay Life, CUB, Cathay Securities, Cathay Century Insurance, Cathay Venture, and Cathay SITE; lending exposures cover Cathay Life and CUB.
Note 3: Water withdrawal and water consumption intensity data were compiled using international databases and ESG digital platforms. The data coverage rates for water withdrawal and water consumption intensity are 81% and 61%, respectively.
Note 4: Exposure ratios are based on investment and lending positions for which water withdrawal and/or water consumption intensity data is available.

Water Management Mechanism

Cathay FHC references international databases and evaluates corporate water stewardship practices using five key indicators: senior management oversight of water management, water risk monitoring, operational water reduction programs, supply chain water reduction programs, and operational water reduction targets.

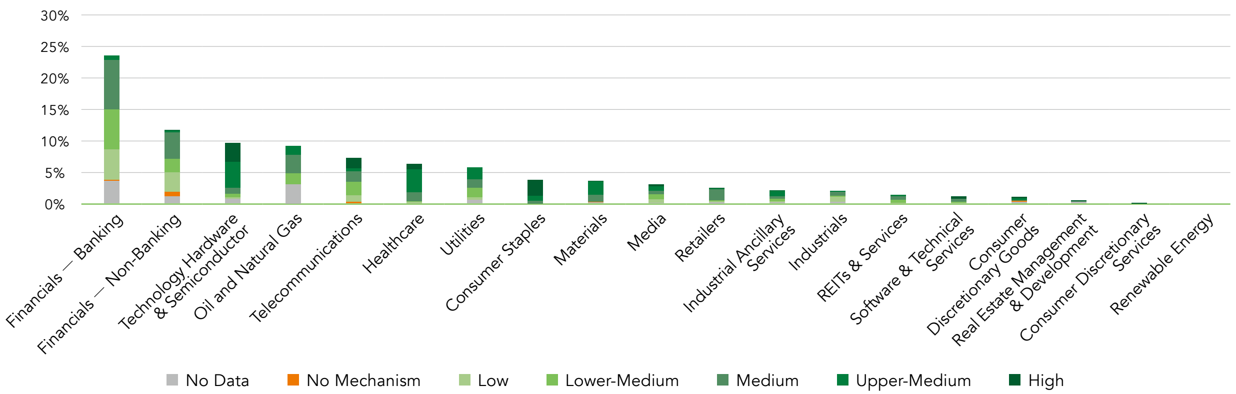
- Utilities, which exhibit the highest levels of both water withdrawal intensity and water consumption intensity, have water management mechanisms in place across 89.6% of the group's investment and lending positions. Among these exposures, 31.7% demonstrate a moderate-to-high level of water management.
- In the materials sector, which has relatively high water consumption intensity, 92.5% of investment and lending positions are associated with companies that have water management mechanisms in place, and 59.7% demonstrate a moderate-to-high level of management. By comparison, in the oil and natural gas sector, only 65.8% of exposure is associated with companies that have water management mechanisms, and only 14.7% exhibit a moderate-to-high level of water management, which is lower than the utilities and materials sectors.
- Across industries overall, the technology hardware & semiconductor sector and the consumer staples sector demonstrate relatively mature water management practices, with a larger proportion of investment and lending exposure concentrated in the moderate-to-high level of management categories. In the technology hardware & semiconductor sector, 92.1% of exposure is associated with companies that have water management mechanisms, and 73.0% exhibit a moderate-to-high level of water management. In the consumer staples sector, 98.5% of exposure is associated with companies that have water management mechanisms, and 87.6% exhibit a moderate-to-high level of water management.

Coverage of Water Resource Management Data



Note 1: As of December 2025, the assessment covers domestic and international listed equity and bond holdings, as well as lending exposures to domestically listed companies.
Note 2: Investment exposures cover Cathay Life, CUB, Cathay Securities, Cathay Century Insurance, Cathay Venture, and Cathay SITE; lending exposures cover Cathay Life and CUB.
Note 3: Excludes 5.5% of investment and lending positions that could not be classified by industry.

Water Resource Management Maturity by Industry



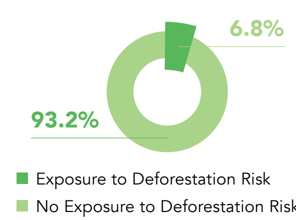
Forest Risk

Cathay FHC leverages international databases to identify potential deforestation risks associated with its investment and lending exposures, including activities that may directly or indirectly contribute to deforestation. The assessment considers three criteria: (1) production or use of deforestation-linked commodities; (2) operations within high-risk industries located in deforestation frontiers; and (3) involvement in deforestation-related controversies. Companies meeting any of these criteria are classified as having potential deforestation risk.

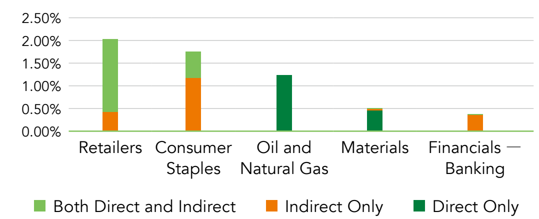
Deforestation risk

Approximately 6.8% of the assessed investment and lending portfolio is exposed to risks related to deforestation. These risks are primarily concentrated in the retailers and consumer staples sectors, reflecting significant dependency and impact on forest resources in materials sourcing and supply chain operations. This dependency may result in direct or indirect exposure to natural capital risks.

Share of Exposure to Deforestation Risk



Top Five Industries by Exposure to Deforestation Risk



Note 1: As of December 2025, the assessment covers domestic and international listed equity and bond investments, as well as lending exposures to domestically listed companies. The overall data coverage rate is approximately 85.8%.
Note 2: Investment exposures cover Cathay Life, CUB, Cathay Securities, Cathay Century Insurance, Cathay Venture, and Cathay SITE; lending exposures cover Cathay Life and CUB.
Note 3: Excludes 4.6% of investment and lending positions that could not be classified by industry.
Note 4: (1) Direct deforestation risk: refers to companies that produce commodities linked to deforestation (e.g., palm oil, soy, beef, and timber), operate in regions classified as high deforestation risk, and/or have been involved in deforestation-related controversies. (2) Indirect deforestation risk: refers to companies that rely/use at least one commodity associated with deforestation.

Biodiversity-Sensitive Location Overlay Analysis

Cathay FHC applies ENCORE to identify "species" as a key nature-related driver and references the LEAP assessment approach and TNFD's Sector Guidance: Additional Guidance for Financial Institutions to further develop core indicators applicable to the financial sector. The operational activities and geographic locations of investees and borrowers determine their levels of dependency and impact on ecosystems. These impacts may be transmitted through financial institutions' capital flows, potentially giving rise to traditional risks such as credit, compliance, and reputational risks. Therefore, the group prioritizes assessing exposure to biodiversity-sensitive locations associated with its investees and borrowers.

Analysis Method

1. Based on the levels of species-related dependencies and impacts identified through ENCORE, together with domestic exposure conditions, the analysis focuses on the materials, real estate management & development, and consumer discretionary goods sectors as the scope for assessing exposure to biodiversity-sensitive locations.
2. For the operational sites of investees and borrowers in the three aforementioned sectors, the Nature Sensitivity Scoring Matrix is applied during the Locate/Evaluate stages to assess exposure based on two dimensions: location sensitivity and species sensitivity.
3. Based on the consolidated results of the Nature Sensitivity Scoring Matrix, investees and borrowers located in areas classified as "1st priority" are identified as priority targets for enhanced due diligence, engagement activities, and resource allocation during the Assess/Prepare stages. This approach enhances the accuracy of risk identification and strengthens alignment with the TNFD framework.

Nature Sensitivity Scoring Matrix

Nature Sensitivity		Location Sensitivity 5	4	3	2	1
Species Sensitivity	5	10	9	8	7	6
	4	9	8	7	6	5
	3	8	7	6	5	4
	2	7	6	5	4	3
	1	6	5	4	3	2

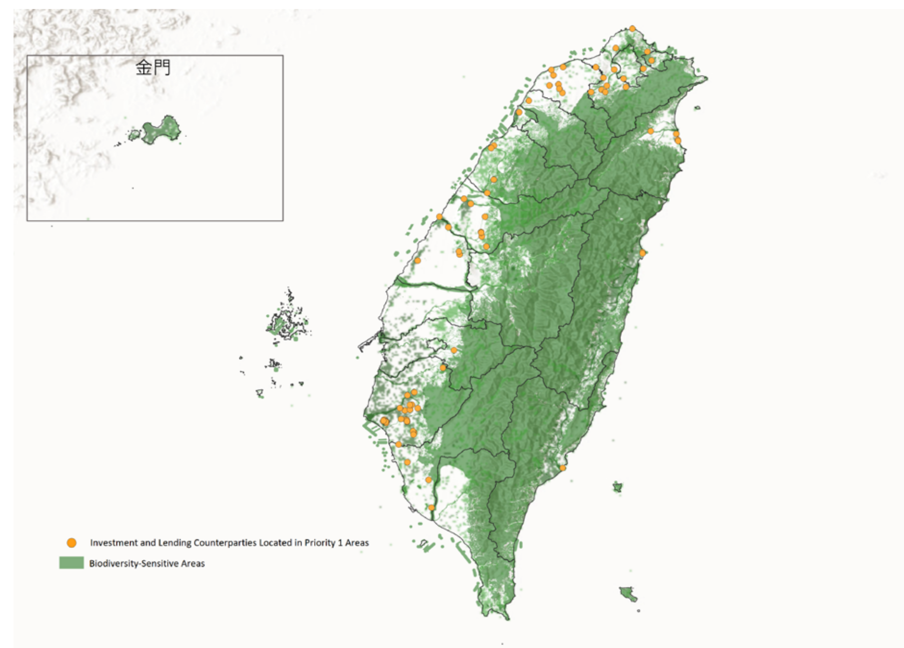
- 1st priority
- 2nd priority
- 3rd priority
- 4th priority (non-priority)
- 5th priority (non-priority)

Location sensitivity: identifies whether locations are situated in protected areas, Key Biodiversity Areas (KBAs), or other areas of high nature value
Species sensitivity: assesses the sensitivity of surrounding threatened species, species of conservation importance, and their habitats

Analysis Results

Within the assessment scope covering the materials, real estate management & development, and consumer discretionary goods sectors, companies with operational sites located in areas classified as "1st priority" account for 12.1% of total company sites, while their corresponding investment and lending exposure accounts for approximately 16.5% of total exposure.

Investees and borrowers with exposure to 1st priority areas



Risk Response Measures

Cathay FHC regularly reviews investment and lending counterparties located in areas classified as "First Priority." Based on the assessment results, the Group continuously refines its methodology and quantitative approaches to enhance its ability to identify and manage nature-related risks.

5.4.3 Industry Risk Management Mechanism

Cathay FHC references ESG reports published by leading international organizations and incorporates key sustainability issues - including climate change, natural capital, and human rights - along with input from internal experts to identify high-risk sensitive industries. These industries are then integrated into Cathay's internal risk management processes to strengthen sector-specific risk control mechanisms. In addition, to strengthen overall risk resilience, Cathay FHC has also devised a differentiated management measure to target investment and lending exposures with low credit ratings, addressing potential rising credit risks from their delayed transitions.

Refer to international ESG industry reports and internal expert recommendations → Establish a management mechanism for sensitive industries → Regular review and adjustment → Discuss and report

Risk Assessment for Sensitive Industries

- **Industries Sensitive to Climate-Related Transition Risks**

Cathay FHC refers to international standards such as the SASB Guidelines and IFRS S2 and has defined six industries - oil and natural gas, chemical raw materials, construction materials (incl. cement), mining, fossil fuels and coal-related industries, and transportation - as industries sensitive to climate-related transition risks. Based on this definition, Cathay FHC has developed a "Climate Transition Risk Assessment Framework." In 2025, the concentration of exposure to industries sensitive to climate transition risks was 7.7% of the portfolio. assurance

- **Sectors Sensitive to Physical and Transition Risks**

Cathay FHC conducts nature-related dependency and impact assessments in accordance with the Network for Greening the Financial System (NGFS) Conceptual Framework on Nature-related Financial Risks and the results from assessments using WWF's ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tools. Based on these evaluations, Cathay further classifies sensitive industries into two categories: 1. industries sensitive to nature-related physical risks and 2. industries sensitive to nature-related transition risks. The categories serve as the foundation for identifying and managing nature-related risks.

Sensitive industries	Exposure ratio	Sensitive to Climate Transition Risks	Material Nature-Related Dependencies and Impacts	
			Sensitive to Nature-Related Transition Risks	Sensitive to Nature-Related Physical Risks
Oil and natural gas	5.0%	●	●	●
Food & beverage manufacturing	2.3%			●
Real Estate Development and Management	2.0%			
Mining	1.3%	●	●	●
Chemical raw materials	1.0%	●		
Automotive and Parts Manufacturing	0.3%			
Construction materials (including cement)	0.2%	●	●	
Transportation	0.1%	●		
Fossil fuel power generation and coal-related	0.1%	●		●
Agriculture, forestry, fishery, and animal husbandry	0.1%			●
Total	12.4%	7.7% assurance	6.5%	8.8%
			9.0% Note 3	

Note 1: The exposure ratio refers to the proportion of the investment and lending balance of each sensitive industry relative to the total investment and lending balance.
Note 2: Investment assets include Cathay Life, CUB, Cathay Securities, Cathay Century Insurance, Cathay Venture, and Cathay SITE, while lending portfolios include Cathay Life and CUB.
Note 3: The exposure ratio for industries with material nature-related dependencies and impacts represents the union of industries that are vulnerable to nature-related transition risks and physical risks.
Note 4: The oil and natural gas in sensitive industries includes integrated oil & gas, and oil & gas exploration & production.

Climate Transition Risk Assessment

Cathay FHC has developed a framework to identify industries that are sensitive to climate-related transition risks based on average industry carbon emissions intensity. The transition maturity and just transition alignment of investee and borrower companies within these identified industries are then assessed using international databases.

Assessment Framework and Process

Group List of Sensitive Industries: Industries Sensitive to Climate Transition Risks: Average Industry Carbon Intensity

Industries sensitive to climate-related transition risks: Oil and natural gas; Fossil fuel power generation and coal-related; Mining; Chemical raw materials; Transportation; Construction materials (including cement)

Climate Transition Indicators: Decarbonization targets, decarbonization performance, transition plans, net-zero commitments

Just Transition Indicators: Commitment to Just Transition Principles, Planning, and Monitoring

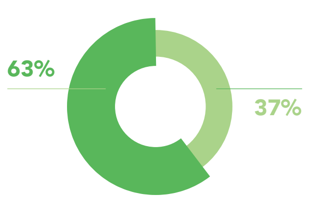
Climate Transition Maturity: Fast / Medium / Slow

Level of Alignment: N/A / Fully / Partially / Not

Assessment Results of Climate and Just Transition for Specific Industries

Portfolio Exposure to Climate Transition Risk-Sensitive Industries

Portfolio Exposure to Climate Transition Risk-Sensitive Industries

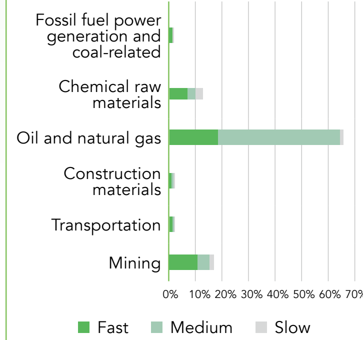


Sensitive industries account for 12.4% of the group's total investment and lending exposure. Among these, oil and natural gas, chemical raw materials, construction materials (including cement), mining, fossil fuel power generation and coal-related industries, and transportation are identified as industries sensitive to climate-related transition risks, accounting for 63% of the group's exposure to sensitive industries.

Assessment Results

Climate Transition Maturity Assessment

Portfolio Exposure by Industry Transition Maturity



A total of 94.2% of the group's investment and lending exposure within the assessment scope is categorized as having "fast" or "medium" transition maturity, while only 5.8% is classified as "slow." Further analysis of industry distribution indicates that, among industries sensitive to climate-related transition risks, over 60% of the group's exposure is concentrated in the oil and gas sector. More than 90% of the exposure within this sector is assessed as having "fast" or "medium" transition maturity.

Note : Investment and lending positions as of the end of December 2025 and include positions held by Cathay Life, CUB, Cathay Securities, Cathay Century Insurance, Cathay SITE, and Cathay Venture.

CASE STUDY

Assessment of Just Transition Alignment: The Oil and Natural Gas Industry

Assessment Objective

In addition to transition maturity, Cathay FHC also places emphasis on the fairness and inclusiveness of the transition process. Using the oil and natural gas industry as a case study, this assessment references internationally recognized just transition indicators to evaluate the industry's alignment with just transition principles.

Assessment Results

- The coverage rate of just transition data for the oil and natural gas industry is approximately 30%, indicating that a considerable proportion of companies still lack sufficient information to assess their just transition practices.
- Among investment and lending exposures with available just transition data, approximately 40% have made just transition-related commitments, indicating that some companies have begun incorporating just transition concepts into their transition strategies and governance frameworks.
  - **"Commitment to Just Transition Principles" indicator:** Only 0.02% of total exposure fully meets all three commitment criteria, namely decarbonization in accordance with just transition principles, providing specific forms of support, and engaging with affected communities. An additional 39.68% of total exposure partially meets the commitment requirements by fulfilling one or two of these criteria.
  - **"Just Transition Planning and Monitoring" indicator:** Only 3.48% of total exposure fully satisfies the relevant requirements, including disclosing just transition progress, developing a just transition plan, consulting affected stakeholders, and establishing key performance indicators (KPIs). This indicates that most companies have yet to implement concrete measures to fulfill their just transition commitments.
- Overall, although the oil and natural gas industry has established a certain level of transition maturity, its just transition efforts remain largely focused on principle-based commitments. There remains room for further improvement in planning and monitoring.

Observations and Response

Cathay FHC will continue to monitor developments in corporate just transition commitments, planning, and monitoring mechanisms. Drawing on internationally recognized just transition frameworks and best practices, the Company will continue to refine its assessment methodology and management framework to strengthen its management of related transition risks.

Management Measures

1. Implement exposure limits for sensitive industries and conduct regular monitoring of investment and lending risk exposure.
2. The Group updates international databases annually and continuously refines climate transition and just transition indicators to ensure that the transition maturity and just transition alignment of its investment and lending portfolios are reflected in a timely manner.
3. The group monitors changes in industry trends related to climate risks and adjusts the industry classification scope when necessary. This strengthens climate risk management and improves investment and lending decision quality.

Climate Resilience Assessment

Climate resilience refers to whether Cathay's climate policies and actions formulated to cope with the challenges of climate change offer sufficient defense or recovery capacity in the face of potential impact from different climate scenarios. Climate resilience helps Cathay to effectively mitigate and adapt to the financial and operational impacts of climate change.

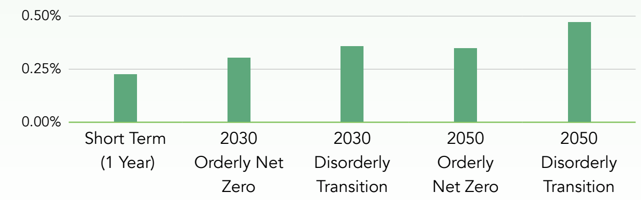
Verification

Cathay conducts quantitative analysis of climate risks in investment and lending exposures in sensitive industries in accordance with the "Plan for Climate Change Scenario Analysis of Domestic Banks" and "Climate Physical Risk Information Integration Platform for the Financial Industry" to verify the current climate resilience of its risk exposures. Through this risk management mechanism, Cathay ensures the manageability and acceptability of the financial impact of its investment portfolio under different climate scenarios.

Result

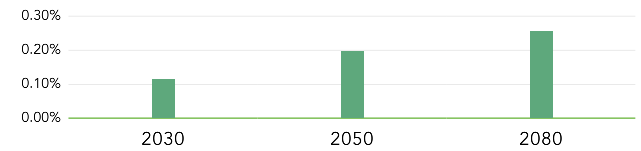
To target sensitive industries, Cathay has established sensitive industries management mechanisms and will be leveraging climate-related risk factors to assess asset security and potential impacts before selecting operating locations and investing in real estate. Cathay has also established a business continuity management mechanism to ensure 100% coverage of critical business operations under business continuity plans.Regarding climate-related exposures, Cathay's investment and lending portfolios have been assessed under various NGFS and IPCC climate scenarios, including short-term scenarios, the 2030 disorderly/orderly transition scenarios, and the 2050 disorderly/orderly transition scenarios. For real estate portfolios, climate exposure has been evaluated using the IPCC AR6 scenarios. Across these assessments, expected losses remain a limited percentage of relevant net worth, indicating that Cathay's asset portfolio and current strategies in sensitive industries demonstrate strong climate resilience.

Expected Loss-to-Net Worth Ratio of Investment and Lending Portfolios in Sensitive Industries



Note: Position date is December 2025

Expected Loss-to-Net Worth Ratio of the Real Estate Portfolio



Note: Position date is December 2025; selected scenario is AR6 SSP5-8.5

5.4.4 Industry Exclusion and Restriction Policy

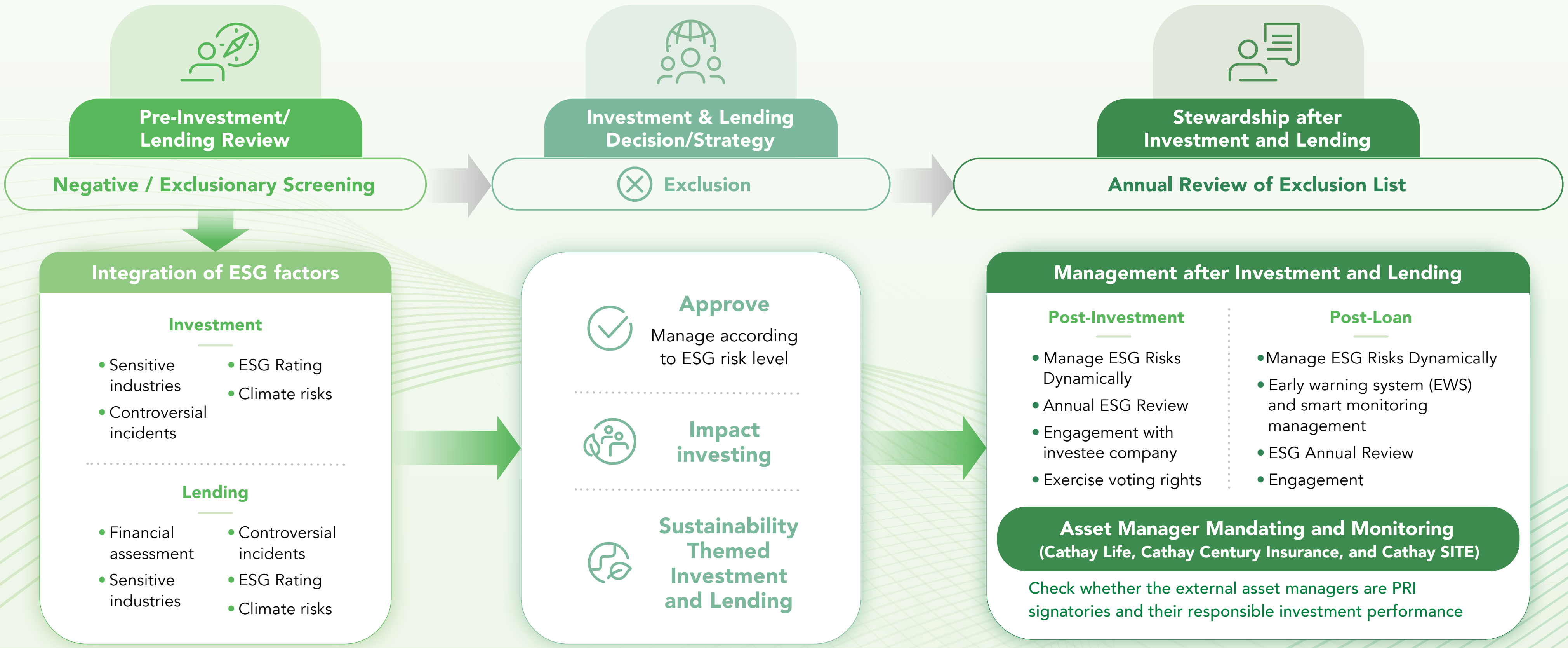
Asset Type	Industry	2026	2030-2035	2040
Investment (Note 1)	**Coal value chain** coal mining, coal rail freight, coal support services, and coal power	Cease new investments in companies that derive more than 20% of revenue from coal-related activities or have coal expansion plans, and are not actively transitioning.	•**OECD Countries:** Cease new investments in companies that derive more than 5% of revenue from coal-related activities or have coal expansion plans, and are not actively transitioning. •**Non-OECD countries:** Cease new investments in companies that derive more than 20% of revenue from coal-related activities or have coal expansion plans, and are not actively transitioning.	•Cease new investments in companies that derive more than 5% of revenue from coal-related activities or have coal expansion plans, and are not actively transitioning. •By 2040, phase out equity investments in companies that derive more than 5% of revenue from coal-related activities or have coal expansion plans, and are not actively transitioning.
	Unconventional Oil and Gas tar sands, shale oil and gas, and arctic oil and gas	Cease new investments in companies that derive more than 30% of revenue from these activities, and are not actively transitioning.	•**OECD countries:** Cease new investments in companies that derive more than 20% of revenue from these activities and are not actively transitioning. •**Non-OECD countries:** Cease new investments in companies that derive more than 30% of revenue from these activities, and are not actively transitioning.	•Cease new investments in companies that derive more than 10% of revenue from these activities and are not actively transitioning. •By 2040, phase out equity investments in companies that derive more than 10% of revenue from these activities, and are not actively transitioning.
Lending (Note 2)	**Coal value chain** coal mining, coal-related products, wholesale and retail activities, coal rail transportation, etc.	Target to phase out all coal-related lending facilities by the end of the first quarter of 2027.		

Note 1: Investment assets include listed equities and corporate bonds, encompassing active and passive strategies, as well as third-party managed investments.
Note 2: CUB stopped issuing new loans for coal-fired power generation projects in 2019 and no longer renews contracts. CUB has also ceased to extend credit facilities for coal value chain loans as of April 2021.

5.4.5 Responsible Investment and Lending Policy

Cathay FHC follows international frameworks such as the Principles for Responsible Investment (PRI) and the Equator Principles (EPs), and has established the Cathay Financial Holdings and Subsidiaries' Responsible Investment and Lending Policy. The policy provides a comprehensive pre- and post-investment/lending monitoring and management framework that integrates ESG factors throughout the investment and lending process. Its scope primarily covers investments in listed equities and corporate bonds, and lending primarily in corporate loans. Under this framework, prior to making an investment, Cathay reviews whether the proposed investment target is on the exclusion list. Investments in entities included on the exclusion list are prohibited. For entities not included on the exclusion list, the group conducts further ESG risk assessments. If the investment target does not pass the assessment, the case is subject to additional discussion and evaluation. Following investment, the group regularly reviews the investee company's annual ESG performance and dynamically manages ESG risks. Through the exercise of shareholder voting rights and engagement activities, the group encourages investee companies to enhance their ESG performance. Meanwhile, CUB integrates responsible lending into its core business functions and operations and actively supports the Paris Agreement. CUB incorporates climate risk considerations into its lending process and integrates them with its ESG management framework to strengthen climate risk management around responsible lending. For further information, please refer to ▶ Cathay FHC's Sustainability Report 2025.

Responsible Investment and Lending Framework



Note 1: Follows the gray arrow if the investment/lending target is on the exclusion list.
Note 2: Follows the green arrow if the investment/lending target is not on the exclusion list.
Note 3: Due to operational differences between subsidiaries, the responsible investment process flowchart is tailored to each subsidiary.

5.5 Insurance Risk Management

Climate change is driving more frequent extreme weather events, which may increase direct damage to insured assets under property insurance. Extreme temperatures may also affect human health, adding risk and claims pressure for both property insurance and life and health insurance. Through risk identification and scenario analysis, Cathay FHC assesses the impact of extreme weather events, such as typhoons and floods, on property insurance, as well as the impact of global warming on life and health insurance claims. This enables the Company to more accurately identify potential financial risks. Cathay FHC also actively develops response strategies, including optimizing underwriting and loss prevention mechanisms and strengthening climate risk management, to ensure sound business operations and provide customers with more comprehensive risk protection.

5.5.1 Climate Scenario Analysis for Insurance

Climate Change Impact on Typhoon and Flood Insurance Claims

Background

Cathay Century Insurance expects climate change to increase the incidence of damage to its insured portfolio, resulting in a corresponding increase in claims costs. Cathay Century Insurance conducts climate scenario analysis using the SSP1-2.6, SSP2-4.5, SSP3-7.0, and SSP5-8.5 scenarios set out in IPCC AR6. The analysis covers commercial fire insurance and engineering insurance policies written in 2025 with premiums of NT$100 million or more and typhoon and flood coverage attached (excluding insured assets for which clear latitude and longitude data are unavailable). Using data from the Climate Physical Risk Information Integration Platform for the Financial Industry, Cathay Century Insurance analyzes potential flood-related losses for insured assets for greater flexibility in adjusting solvency capacity and risk allocation.

Analysis Procedure

Climate Scenario
SSP1-2.6、2-4.5、3-7.0、5-8.5

Parameters
Floor area (ping), location, etc.

Flood risk is calculated based on the formula: Hazard × Vulnerability × Exposure

Overview

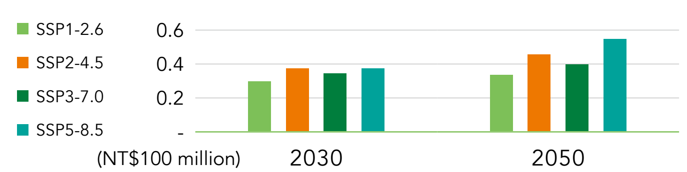
Flood risk	Hazard	Vulnerability	Exposure
	Probability of rainfall (daily precipitation > 650mm)	Estimated loss per ping based on flood depth	Estimated insured floor area based on the industrial land area and number of operating factories in each county/city published by the Ministry of Economic Affairs

Source: Climate Physical Risk Information Integration Platform for the Financial Industry

Result: Expected losses for insured assets

Analysis Results

Expected Loss from Fire Insurance



Under the SSP5-8.5 scenario in 2050, the insured assets within the scope of this commercial fire and engineering insurance analysis are projected to record the highest expected losses, at approximately NT$55 million. After reinsurance cessions, expected retained losses are approximately NT$21 million, indicating that the impact on the insured assets remains manageable.

Risk Response Measures

Cathay Century Insurance regularly reviews the expected changes in typhoon and flood losses under various climate change scenarios as a reference for long-term planning of future underwriting and reinsurance considerations; at the same time, stress tests are conducted to incorporate climate change factors to examine the impact of typhoon and flood on the company's solvency level under various scenarios to ensure manageable risks.

Temperature Change Impact on Life Insurance Death Benefits and Inpatient Claims

Background

Climate change has led to a steady rise in global temperatures, resulting in global heat waves in recent years. The combination of global warming and the urban heat island effect has increased the frequency and duration of heat waves in Taiwan, which may become the new normal if the current trend continues. Cathay uses historical data (2010-2024) on weather, air quality, and death/hospitalization, as well as AR6 climate scenario analysis data available on the Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP) to conduct our analysis. We built a model to assess the impact of rising temperatures on death from all causes and hospitalization rates to project the outlook for life insurance claims.

Analysis Procedure

Temperature-Death/Hospitalization Association Model	
Research Data	2010-2024 daily mean temperature and air quality data from the Central Weather Administration
	2010–2024 mortality data (excluding data from 2020–2022, the COVID-19 pandemic period)
	2010–2019 hospitalization data (Note)

Parameters	
Climate Scenario	**Assumption**
TCCIP AR6 scenario daily mean temperature data (2035, 2050, 2100)	Assuming future-year customer attributes and insurance risk mix remain consistent with 2024 levels for mortality and 2021 levels for hospitalization

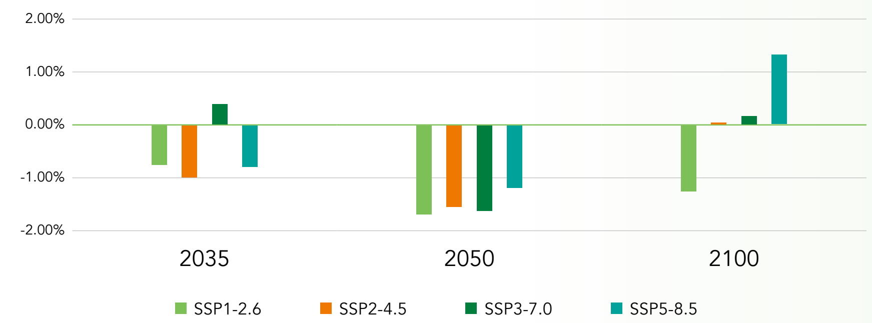
Note: After excluding the years affected by the pandemic, the updated hospitalization model remains affected by changes in healthcare-seeking behavior and has not yet reached an ideal level of stability. Therefore, this hospitalization analysis temporarily follows the content disclosed in Cathay Life's Sustainability Report 2024. Cathay Life will subsequently review the overall direction for model adjustments and analysis methods.

Analysis Results

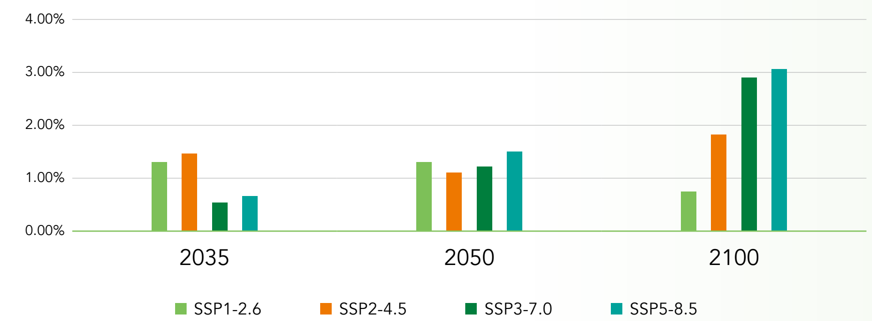
Based on TCCIP temperature simulations for Taiwan under different SSP-RCP climate scenarios, the number of high-temperature days is projected to increase across all counties and cities. Given the widespread use of air conditioning in Taiwan, the public has a relatively strong capacity to adapt to extreme temperatures. Assuming no change in customer structure, assessment results under extreme scenarios for mid-century and end-century show that:

- The increase in temperature is expected to result in a slight fluctuation of approximately 1.5% in total life insurance claims expenses; the impact on claims is not considered material.
- Rising temperatures are expected to increase overall inpatient claims expenses by 1-3%. Medical utilization is generally expected to increase as temperatures rise.

Change in Death Benefit Claims Compared with 2024 (%)



Change in Hospitalization Claims Payouts Compared with 2021 (%)



Management Measures

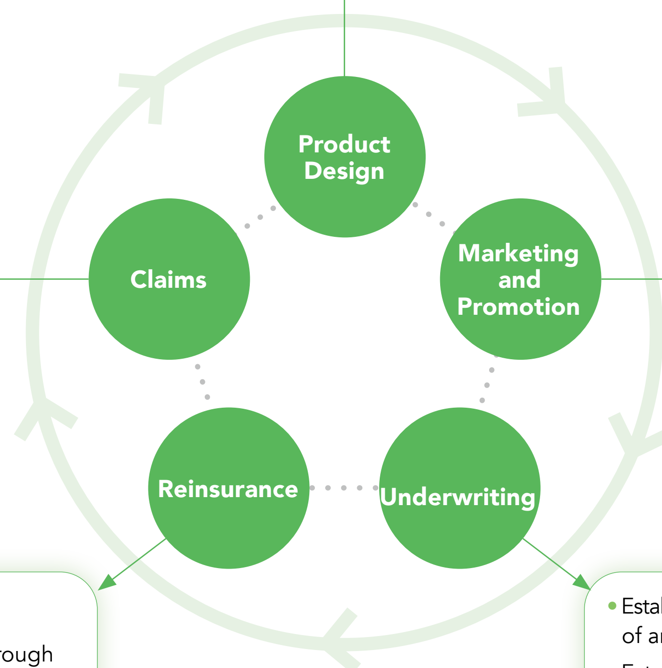
Numerous national and international studies have shown that climate change is likely to intensify extreme weather events, such as storms and typhoons, and even contribute to the spread of infectious diseases. Although domestic research remains limited and currently focuses mainly on rising temperatures, Cathay will continue to refine its approach and deepen its understanding of climate risks for life and health insurance products. Going forward, Cathay will also assess the use of external resources and climate adaptation tools to help policyholders and employees respond to extreme weather.

Contents

5.5.2 Risk Management Process Across the Insurance Value Chain

Cathay Century Insurance regularly evaluates the potential impact of ESG and climate-related risks on specific industries or its insured portfolio. We integrate risk factors into our product design and develop risk management measures tailored to potential risks within the value chain. Collaborating with experts from the industry, government and academia, Cathay Century Insurance strives to enhance resilience to climate change. Looking ahead, Cathay Century Insurance aims to identify risks and opportunities related to biodiversity, forests/water resources, and the circular economy.

- Cathay Century Insurance regularly convenes climate change meetings for the product team and underwriting departments to promote the development of low-carbon, sustainable, and just transition products such as crop insurance, renewable energy-related insurance (solar and wind power), and public bicycle insurance to promote the transition towards green practices.
- Conduct a carbon intensity assessment for auto and commercial insurance portfolios using the Partnership for Carbon Accounting Financials (PCAF) methodology.



- Regularly track product loss ratios and adjust premiums and underwriting policies as needed.

- Implement loss control consultant recommendations to increase risk awareness among corporate clients and help them assess and mitigate risks, such as through solar energy and flood simulation analyses.
- Use apps and digital platforms to distribute product information to reduce resource consumption in the marketing process.

- Use the climate risk model to assess the impact of natural disasters across Taiwan and appropriately diversify the risk through reinsurance contracts.
- Establish catastrophe reserves to prevent and prepare for potential losses from natural disasters.
- Incorporate climate change impact into underwriting considerations for participation in future contracts with other parties/Offshore Insurance Unit (OIU) businesses.

- Establish underwriting rules as the basis for underwriter approval or rejection of any insurance products that are susceptible to natural catastrophes.
- Establish an underwriting risk identification and assessment mechanism for sensitive industries such as logging and coal.
- Implement a more rigorous, higher-level underwriting process for policyholders with higher environmental risks to better assess their exposure to climate change risks.
- Provide underwriting and loss control recommendations using climate risk modeling.

5.5.3 Insurance Industry Exclusion and Restriction Policy

In response to the global transition away from coal, Cathay Century Insurance has established the Cathay Century Insurance Underwriting Policy for Coal and Unconventional Oil & Gas. For clients involved in coal, unconventional oil, and natural gas, Cathay Century Insurance will cease providing insurance coverage for related new projects by 2030 and 2040, respectively.

	2024	2025	2030	2040
Insurance Underwriting (Notes 1-5)	Cathay Century Insurance has established management policies regarding the coal, unconventional oil, and natural gas industries	• **Coal mining, coal-fired power generation, and coal infrastructure:** Discontinue coverage of new programs for clients with more than 30% of revenue from coal. • **Tar sands extraction, shale oil and gas extraction, and liquefied natural gas (LNG) produced from unconventional oil and gas sources** Note 5**:** Discontinue coverage of new programs for clients with more than 50% of revenue from these activities. • **Arctic oil and gas extraction, deepwater oil and gas extraction:** Discontinue coverage of related projects.	• **Coal mining, coal-fired power generation, and coal infrastructure:** Discontinue coverage of new programs for clients with more than 5% of revenue from coal. • **Tar sands extraction, shale oil and gas extraction, and liquefied natural gas (LNG) produced from unconventional oil and gas sources:** Discontinue coverage of new programs for clients with more than 30% of revenue from these activities.	• **Tar sands extraction, shale oil and gas extraction, and liquefied natural gas (LNG) produced from unconventional oil and gas sources:** Discontinue coverage of new programs for clients with more than 5% of revenue from these activities.

Note 1: The 5% revenue associated with coal/unconventional oil/natural gas is the final assessment threshold. The gradual phase-out process will take place based on the outlined timeline.
Note 2: New projects include expansions of existing businesses. Coverage will no longer be provided to customers for expansion projects related to coal, unconventional oil, and natural gas.
Note 3: If a company has made a public commitment to achieve net-zero emissions by 2050 and has third-party verification of its carbon reduction efforts, or if the project supports renewable energy or low-carbon transition, it is exempt from the control threshold above.
Note 4: The management policy is applicable to operations related to reinsurance and treaty reinsurance.
Note 5: Refers to the production activities involved in the liquefaction of natural gas derived from unconventional oil and gas sources. In this context, unconventional oil and gas refers to petroleum and natural gas obtained from the following sources: Tar sands extraction, shale oil and gas extraction, arctic oil and gas extraction, and deepwater oil and gas extraction.

Contents

5.6 Operational Risk Management

Climate physical risks refer to the financial and operational impacts that extreme weather events can have on businesses. As climate change intensifies, the increasing frequency and severity of typhoons, floods, and other extreme weather events pose a growing challenge to business continuity. Cathay FHC conducts scenario analysis to evaluate potential financial impacts and has established operational management mechanisms to strengthen its resilience to physical climate risks. In addition, Cathay enhances supply chain resilience, formulates emergency response plans, and upgrades infrastructure to reduce the risk of business disruption caused by extreme weather events, thereby ensuring operational stability and sustainable development.

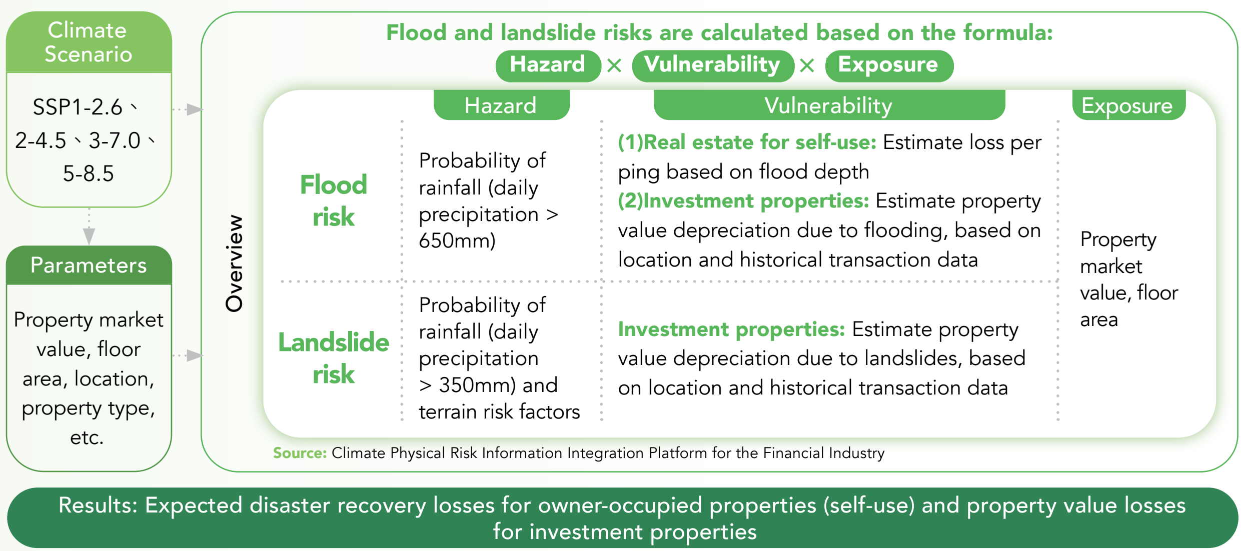
5.6.1 Climate Scenario Analysis for Real Estate

Impact of Flooding and Landslides on Self-use/Investment Properties under Climate Change

Background

To assess the impact of climate-related physical risks on real estate, Cathay conducted climate scenario analysis using the IPCC AR6 scenarios SSP1-2.6, SSP2-4.5, SSP3-7.0, and SSP5-8.5. The analysis treated extreme rainfall as the hazard factor, and flooding and landslides triggered by extreme rainfall as vulnerability factors. Based on data from the Climate Physical Risk Information Integration Platform for the Financial Industry, Cathay estimated potential losses to real estate from flooding and landslides. The analysis focuses on real estate in Taiwan, divided into self-use and investment properties. For owner-occupied properties (self-use), Cathay estimates expected losses from recovery costs associated with flood damage. For investment properties, Cathay assesses potential losses from declines in property value caused by flooding and landslides.

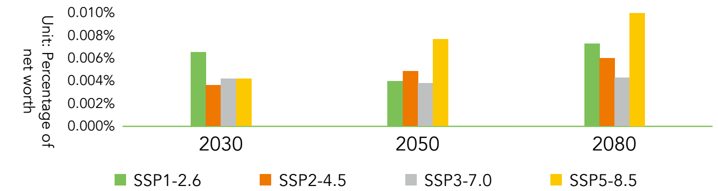
Analysis Procedure



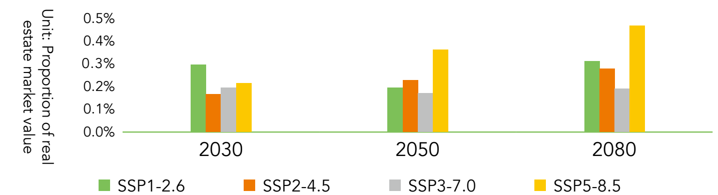
Analysis Results

Under the 2080 SSP5-8.5 scenario, real estate assets are projected to experience the greatest losses. Expected disaster recovery losses for owner-occupied properties account for 0.01% of net worth, while expected property value losses for investment properties account for 0.47% of total market value.

Physical risk for real estate for self use - flood



Physical risk for investment properties - flood and landslide



Risk Response Measures

When selecting operating sites or investment targets, Cathay incorporates climate-related physical risk factors into its assessments, including the potential impacts of flooding, debris flows, earthquakes, and other hazards on asset safety. Cathay also conducts regular reviews and strengthens safety maintenance and inspection measures. Since 2020, Cathay FHC and its primary subsidiaries have implemented business continuity plans (BCPs) covering 100% of critical business operations. Cathay has also advanced physical risk adaptation plans, including natural disaster scenario analysis, backup and recovery business continuity plans (BCPs), and regular drills to strengthen resilience to climate change. For owner-occupied properties affected by a disaster event, Cathay will immediately activate its reporting and emergency response mechanisms. Depending on the situation, an emergency response team may be established or business recovery procedures may be initiated to strengthen operational resilience to climate change. In addition, for higher-value properties, Cathay transfers risk by maintaining appropriate insurance coverage to reduce potential losses.

5.6.2 Business Continuity Management (BCM) Mechanism

Establish a comprehensive business continuity management mechanism

- Cathay FHC has implemented the "Business Continuity Management Guidelines" and "Business Continuity Management Strategy" to establish a comprehensive management system throughout the group. The system is supported by a complete reporting mechanism to ensure effective communication. In the event of a natural disaster or other emergency, Cathay FHC will activate the appropriate emergency response procedures and business recovery measures based on the severity of the incident and its reporting levels.
- In addition, we regularly conduct multi-hazard drills for different scenarios each year to ensure that critical business operations remain uninterrupted and that backup mechanisms are effective in the event of a natural disaster or force majeure.

Adoption of ISO 22301 - Business Continuity Management Systems (BCMS)

- Cathay FHC and its subsidiaries, including Cathay Life, CUB, Cathay Century Insurance, Cathay Securities and Cathay SITE, have all been internationally certified by the British Standards Institution (BSI) in 2022. We are committed to ensuring the effectiveness of our business continuity management mechanism and continue to strengthen the group's operational resilience.

Business Continuity Management Mechanism

Risk Event Occurrence	Event Impact Assessment	Emergency Response & Recovery Procedures
Natural disaster (extreme weather event)	Location impact	Initiate split operations or work from home
Infectious disease	Facilities impact	Activate emergency procurement of backup supplies or equipment
Information security incident	Personnel impact	Personnel substitution or activate staff dispatch
Human-induced risks	System impact	Implement IT post-incident recovery measures

5.7 Finance Innovation for Climate and Nature

Faced with the high uncertainty of climate change and the complexity of data, traditional management methods are often limited by inefficiencies and data precision. To address this, leveraging digital tools—such as cloud computing, big data, and artificial intelligence—and collaborating across sectors with organizations like the Central Weather Administration and other public, private, academic, and research institutions, can support the development of climate risk management tools across Cathay. Looking ahead, as the application of climate data continues to advance, Cathay will further expand the innovative use of climate and nature-related data to strengthen forecasting and risk assessment capabilities, improve decision-making efficiency, and enhance operational resilience—thereby setting a new benchmark for climate-resilient management.

Application of Climate Data in the Financial Sector: Enhancing Insurance Claims Services

Cathay FHC is partnering with the Central Weather Administration to enhance its insurance claims services using quality meteorological data. For example, starting in 2024, Cathay Century Insurance launched a pioneering project that integrates weather parameters with claims criteria. Through an automated system, insured customers' addresses are matched with corresponding weather conditions to quickly identify cases that meet claims thresholds. This approach enables real-time, proactive outreach and care for affected customers after a disaster. It also accelerates claims processing through automated review mechanisms—improving operational efficiency, enhancing the customer experience, and further strengthening the precision and convenience of insurance services. Patent applications and portfolio development are also underway for these technologies, supporting their systematic implementation and broader application.

Residential Fire Insurance – Lightning Strikes			
Description	Lightning-related claims under residential fire insurance refer to actual losses arising from damage to insured buildings, movable property, or equipment caused by lightning striking the insured property. The insurer is liable for compensation within the limits specified in the policy.	**Application**	• Combining insured asset information with weather data, the system analyzes and correlates weather parameters to rapidly verify the occurrence of disaster events. • Automatically reviews claims applications against predefined claims criteria, simplifies required documentation, and improves operational efficiency.

Cathay's Commercial Insurance Claims Department has filed a patent application with the Taiwan Intellectual Property Office (TIPO) for its automated lightning-strike matching system.

CHAPTER

06

Metrics and Targets

Cathay FHC's Climate Strategy Blueprint is built around two dimensions: Low-Carbon Economy and Environmental Sustainability to further strengthen its response to climate issues and establish key metrics and targets. Cathay also refers to examples set out in the IFRS S2 and TNFD guidelines for financial institutions in establishing climate- and nature-related risk metrics to identify the potential financial impacts associated with its investment and lending activities, as well as its own operations.

Contents

6.1 Key Climate Performance Indicators

Cathay's Climate Strategy Blueprint sets out short-, medium-, and long-term targets across the two key dimensions of Low-Carbon Economy and Environmental Sustainability. Progress and implementation effectiveness are reviewed on a regular basis, with updates reported to Cathay FHC' s ESG Strategy Committee and Corporate Sustainability Committee. This section provides a summary of the Group's progress toward major goals in 2025, as well as key climate targets set for 2026 through 2050. For full details on strategic ambitions and progress toward goals, please refer to ▶ Cathay FHC's Sustainability Report 2025.

Status of Major Goals in 2025

Business Scope	Metrics		2025 Target	Status
Financial Assets	Proprietary Investments: Portfolio Temperatures of Listed Equity and Bonds	Scope 1+2	2.75° C	✓
		Scope 1+2+3	2.85° C	✗ note 3
	Asset Management: Portfolio Temperatures of Listed Equity and Bonds	Scope 1+2	2.78° C	✓
		Scope 1+2+3	2.87° C	✓
	Percentage reduction in emission intensity of electricity generation project finance relative to the 2019 baseline		28%	✓
	Percentage reduction in emission intensity of commercial real estate corporate loans relative to the 2019 baseline		34%	✗ note 3
	Percentage reduction in emission intensity of electricity generation corporate loans relative to the 2019 baseline		27%	✗ note 3
	Percentage reduction in emission intensity of long-term corporate loans to the commercial real estate industry relative to the 2019 baseline		33%	✗ note 3
	SBT Engagement Method: Share of other long-term corporate loan portfolio by loan value within the fossil fuel, electrical and electronic equipment, general manufacturing, and semiconductor sectors, setting SBTi validated targets		40%	✓
	Cease new investments [Note 1] in companies operating within the coal mining, coal rail freight, coal support services, and coal power that exceed a specified revenue threshold and are not actively transitioning		20%	✓
	Cease new investments [Note 1] in unconventional oil and natural gas companies [Note 2] that exceed a specified revenue threshold and are not actively transitioning		30%	✓
	Proprietary Investments: Proportion of financed emissions from domestic listed companies under stewardship		50%	✓
	Asset Management: Proportion of equity holdings in domestic carbon-intensive listed companies under stewardship (by number of companies)		50%	✗ note 4
	Percentage increase in low-carbon investments relative to the 2020 baseline		80%	✓
Products and Services	Percentage increase in sustainable lending relative to the 2023 baseline		20%	✓
	Percentage increase in the insured amount of green insurance relative to the 2022 baseline		100%	✓
	Increase in total number of green bonds underwritten relative to the 2020 baseline		21	✓
	Percentage increase in number of corporate loss prevention services for natural disasters relative to the 2022 baseline		15%	✓
Business Operations	Fulfilling the RE100 commitment: Percentage of renewable energy in total electricity consumption at Taiwan locations		Six company [Note 5] headquarters use 100% renewable energy	✓
	Increase in installed solar capacity on proprietary buildings relative to the 2020 baseline		Life: 5,000 kW Bank: 404 kW	✓
	Promote green leasing practices in commercial buildings across Taiwan's six special municipalities and provide a certain amount of renewable energy annually		15 GWh	✓

Note 1: Investment assets include listed equities and bonds under active investment strategies, passive investment strategies, and externally managed investments, excluding full replication ETFs and optimized ETFs.
Note 2: For the 2025 targets, unconventional oil and gas refer only to tar sands and shale oil.
Note 3: Emission intensity is experiencing fluctuations in the short-term. Cathay will continue to make adjustments to meet SBT-approved mid- and long-term targets.
Note 4: Due to significant changes this year in investment positions within assets under management, certain companies that had been engaged during the year were no longer held in the portfolio by year-end and therefore could not be included in the performance calculation. If such companies were included, the target would have been met.
Note 5: Cathay FHC, Cathay Life, CUB, Cathay Century Insurance, Cathay Securities, and Cathay SITE.

Short-, Mid- & Long-term Goals for 2026-2050

Business Scope	Metrics		Short-term	Mid-term	Long-term	
			2026	2030	2035	2040-2050
Financial Assets	Proprietary Investments: Portfolio Temperatures of Listed Equity and Bonds	Scope 1+2	2.68° C	Cathay will be reviewing and updating SBTs in 2026		Net zero emissions in financial assets by 2050
		Scope 1+2+3	2.79° C			
	Asset Management: Investment Portfolio Temperatures for Listed Equity and Corporate Bonds	Scope 1+2	2.71° C			
		Scope 1+2+3	2.81° C			
	Percentage reduction in emission intensity of electricity generation project finance relative to the 2019 baseline		33%			
	Percentage reduction in emission intensity of commercial real estate corporate loans relative to the 2019 baseline		39%			
	Percentage reduction in emission intensity of electricity generation corporate loans relative to the 2019 baseline		32%	49%	69%	
	Percentage reduction in emission intensity of long-term corporate loans to the commercial real estate industry relative to the 2019 baseline		38%	57%	73%	
	SBT Engagement Method: Share of other long-term corporate loan portfolio by loan value within the fossil fuel, electrical and electronic equipment, general manufacturing, and semiconductor sectors, setting SBTi validated targets		45%	60%	76%	100%
	Cease new investments in companies operating within coal mining, coal rail freight, coal support services, and coal power that exceed a specified revenue threshold and are not actively transitioning [Note 1]		20%	OECD:5% Non-OECD:20%	OECD:5% Non-OECD:20%	Revenue threshold for new investments:5%
						Fully phase out equity investments in companies deriving more than 5% of their revenue from coal by the end of 2040
	Set a "Zero Coal Financing" goal		By the end of Q1 2027, reduce coal value chain credit balance to zero			
	Cease new investments in unconventional oil and natural gas companies that exceed a specified revenue threshold and are not actively transitioning [Note 1]		30%	OECD:20% Non-OECD:30%	OECD:20% Non-OECD:30%	Revenue threshold for new investments:10%
						By the end of 2040, fully phase out equity investments in companies deriving more than 10% of their revenue from tar sands, shale oil and gas, or arctic oil and natural gas, and that are not actively transitioning
	Proprietary Investments: Proportion of financed emissions from domestic listed companies under stewardship		50%	55%	55%	
	Asset Management: Proportion of equity holdings in domestic carbon-intensive listed companies under stewardship (by number of companies)		50%	50%	50%	
	Percentage increase in low-carbon investments relative to the 2020 baseline [Note 2]		114%	142%	154%	

<table>
<tr><th rowspan="2">Business Scope</th><th rowspan="2" colspan="2">Metrics</th><th>Short-term</th><th>Mid-term</th><th colspan="3">Long-term</th></tr>
<tr><th>2026</th><th>2030</th><th>2035</th><th colspan="2">2040-2050</th></tr>
<tr><td rowspan="5">Products and Services</td><td colspan="2">Percentage increase in sustainable lending relative to the 2023 baseline</td><td>35%</td><td>100%</td><td>228%</td><td colspan="2" rowspan="5"></td></tr>
<tr><td colspan="2">Percentage increase in insured amount for green energy property insurance relative to the 2022 baseline</td><td>104%</td><td>120%</td><td>150%</td></tr>
<tr><td colspan="2">Percentage increase in annual revenue from green insurance premiums from 2025</td><td>3%</td><td>15%</td><td>30%</td></tr>
<tr><td colspan="2">Cumulative number of sustainable bonds underwritten from the 2020 baseline</td><td>26</td><td>35</td><td>40</td></tr>
<tr><td colspan="2">Percentage increase in number of corporate loss prevention services for natural disasters from the 2022 baseline</td><td>18%</td><td>30%</td><td>45%</td></tr>
<tr><td rowspan="8">Business Operations</td><td rowspan="3">Fulfillment of RE100 commitment and increased use of renewable energy</td><td>Renewable energy percentage at seven company headquarters Note 3</td><td colspan="5">100%</td></tr>
<tr><td>Renewable energy usage ratio at Cathay locations in Taiwan</td><td>56 %</td><td colspan="4">100%</td></tr>
<tr><td>Renewable energy usage ratio at Cathay locations worldwide</td><td>44 %</td><td>60%</td><td>75%</td><td>90%</td><td>100%</td></tr>
<tr><td colspan="2">Increase in installed capacity of onsite self-consumption PV systems on proprietary buildings relative to the 2020 baseline</td><td>5,894 kW</td><td>7,934 kW</td><td></td><td colspan="2" rowspan="5"></td></tr>
<tr><td colspan="2" rowspan="2">Promote green leases for commercial buildings across Taiwan's six special municipalities and provide tenants with green electricity</td><td>15 GWh</td><td>20 GWh</td><td rowspan="2"></td></tr>
<tr><td>Roll out to ten locations</td><td>Connect locations across six special municipalities</td></tr>
<tr><td colspan="2">Annually disclose newly constructed buildings that have obtained Green Building Certification (TW), LEED (US), or other low-carbon building certifications, as well as other ESG certifications obtained during the year</td><td colspan="3">100%</td></tr>
<tr><td colspan="2">Support public welfare organizations, industry-academia cooperation, or local industries in promoting nature conservation projects</td><td colspan="3">Support at least two projects annually</td></tr>
</table>

Note 1: Excludes inclusion into full replication ETFs and optimized ETFs.
Note 2: Due to increasingly granular industry classifications adopted by international databases, certain items previously classified as low-carbon investments were re-evaluated and determined to no longer meet the definition of low-carbon investments. As such, Cathay has revised the scope, retrospectively adjusted base year figures, and updated related short-, mid-, and long-term targets accordingly.
Note 3: Cathay FHC, Cathay Life, CUB, Cathay Century Insurance, Cathay Securities, Cathay SITE, and Cathay Venture.

6.2 Climate Risk Metrics

With reference to the IFRS S2 Illustrative Examples, Cathay FHC has developed metrics for climate transition and physical risks. These metrics are used to identify exposure concentrations in carbon-intensive industries within sensitive sectors, as well as the percentage of operational sites, owned real estate, and residential mortgage balances located in areas with Level 5 future flood hazard vulnerability, including operational sites, owned real estate, and residential mortgage balances. The relevant disclosures are subject to limited assurance provided by an independent accounting firm.

Metric Type	Description		Value Chain	Reference
Climate Transition Risks	In 2025, concentrated exposure to industries sensitive to climate transition risks accounted for 7.7%		Financial Assets	▶ 5.4.3 Industry Risk Management Mechanism
Climate Physical Risks	As of December 31, 2025, located in areas with Level 5 future flood hazard vulnerability	Operational sites: 4.7% of total operational sites	Cathay's Operations	▶ 5.2 Concentration Risk Identification
		Owned real estate: 3.9% of total owned real estate properties	Cathay Operations & Financial assets	
		Residential mortgage balances: 5.5% of total residential mortgage balances	Financial Assets	

6.3 Nature Risk Metrics

The TNFD additional guidance for financial institutions classifies metrics into three categories: core global disclosure metrics, core FI sector disclosure metrics, and additional disclosure metrics. Cathay FHC has developed risk measurement indicators with reference to these guidelines to identify potential financial impacts arising from investment, lending, and own operations.

Metric Type	No.	Description		Value Chain	Data	Reference
TNFD Core Global Disclosure Metrics	C7.0	Exposure to industries sensitive to nature-related transition risks (%)		Financial Assets	6.5%	▶ 5.4.3 Industry Risk Management Mechanism
	C7.1	Exposure to industries sensitive to nature-related physical risks (%)			8.8%	
TNFD Core FI Sector Disclosure Metrics	FI.C0.0	Exposure to industries with significant nature-related dependencies and impacts (%)			9.0%	
	FI.C0.1	Exposure to companies (investees and borrowers) with operating sites located in biodiversity-sensitive areas (priority locations) (%)			16.5%	▶ 5.4.2 Nature Risk Assessment and Evaluation
TNFD Additional Disclosure Metrics	-	Sector with high dependency and impact on water: Utilities	Weighted average water withdrawal intensity (Unit: m³ / NT$ million)		1,197	
			Exposure-weighted share of water withdrawal intensity		5.7%	
			Weighted average water consumption intensity (Unit: m³ / NT$ million)		37.75	
			Exposure-weighted water consumption intensity		7.36%	
	-	Exposure covered by water resource management systems			85.3%	
	-	Exposure to deforestation risks			6.8%	

CHAPTER

07

Future Outlook

As the 2025 United Nations Climate Change Conference (COP30) identifies climate adaptation, just transition, and natural capital conservation as key priorities for global climate governance, the role of financial institutions in directing capital, managing risks, and supporting industrial transition continues to grow. This trend is aligned with Cathay FHC's long-term commitment to achieving net zero financed emissions, promoting sustainable finance products and services, strengthening climate and nature-related risk management, and advancing nature-positive outcomes. Building on a robust governance and risk management framework, Cathay FHC will continue to enhance the implementation of its climate and nature strategies.

7.1 Just Transition & Adaptation Finance

In response to the global transition toward net zero, increasingly stringent carbon policies, and the growing impacts of extreme weather events, financial institutions are expected not only to manage the climate-related risks associated with their own operations and financed assets, but also to support businesses and society in strengthening their transition and adaptation capabilities through capital allocation and financial services. Global climate governance is gradually shifting from target setting to implementation, with an increasing emphasis on accelerating decarbonization, advancing the energy transition, and scaling up climate finance over the coming decade. At the same time, the adaptation finance gap and access to climate finance continue to receive growing attention. This trend underscores the critical role of financial institutions in directing capital toward low-carbon transition, climate resilience, and sustainable industrial development.

However, global energy and climate policies are becoming increasingly divergent. Policy adjustments in major markets regarding fossil fuels, renewable energy subsidies, and ESG-related initiatives have introduced greater uncertainty into the global decarbonization pathway and may slow the pace of transition in certain markets. Under these circumstances, delaying the transition will not reduce climate-related risks. Instead, increasing physical risks—including extreme weather events, heatwaves, floods, droughts, and supply chain disruptions—will heighten the need for practical adaptation solutions for businesses, communities, and individuals. Accordingly, in addition to advancing transition finance, Cathay FHC will continue to strengthen adaptation finance as a key strategic priority, supporting customers, industries, and society in enhancing resilience to climate impacts.

- For Transition Finance, Cathay FHC will continue to implement its Responsible Investment and Lending Policy, Industry Exclusion and Restriction Policy, and Sensitive Industry Management Framework. Through investment and lending decisions, corporate engagement, and ongoing monitoring and management, Cathay FHC will encourage investees and borrowers to strengthen their decarbonization efforts and climate-related disclosures. Subject to prudent risk management and adequate information transparency, the Group will also assess and support the financing needs of companies pursuing an orderly transition.
- For Adaptation Finance, Cathay FHC will continue to monitor the impacts of extreme weather events on its investment and lending portfolios, insurance products, and operational sites, while supporting customers and the Group in enhancing resilience to physical risks. Going forward, Cathay FHC will further strengthen the integration of climate data, risk models, and financial services, and progressively incorporate adaptation considerations into product design, customer engagement, investment and lending, and operational resilience management.

Cathay FHC also recognizes the social impacts associated with the low-carbon transition and climate adaptation. Just Transition encompasses not only changes in energy systems and industrial structures, but also issues relating to employment, communities, supply chains, and the rights and interests of vulnerable groups. Going forward, Cathay FHC will continue to integrate just transition considerations into its climate actions and sustainable finance initiatives through internal training, corporate engagement, and the design of financial products and services, while promoting inclusiveness and social resilience throughout the transition and adaptation process.

Adaptation Finance Implementation Framework

To progressively embed adaptation finance into financial decision-making and financial products and services, Cathay FHC has referenced the Climate Financial Risk Forum (CFRF)'s Adaptation Finance Implementation Framework to review its existing practices and identify future priorities.

Implementation Element	Future Focus
1 Climate Adaptation Vision	Climate physical risk assessment and related scenario analysis have been incorporated into the Group's enterprise risk management framework. Going forward, Cathay FHC will continue to refine its climate adaptation vision and resource allocation, taking into consideration national adaptation policies, adaptation finance trends, and the results of physical risk assessments.
2 Climate Adaptation Strategy	Cathay FHC has enhanced the resilience of its customers and its own operations through adaptation measures such as climate scenario analysis, natural catastrophe loss prevention services, business continuity management, and the application of meteorological data. Going forward, the Group will assess industries, activities, and financial products and services that contribute to climate adaptation and progressively incorporate them into its credit approval, investment, underwriting, and product development processes.
3 Climate Adaptation Engagement Strategy	Through corporate engagement, investment and lending reviews, and ongoing monitoring and management, Cathay FHC has encouraged investees and borrowers to advance their climate transition. Going forward, the Group will evaluate the integration of adaptation-related topics into its engagement with investees and borrowers to support the enhancement of corporate climate adaptation and resilience.
4 Climate Adaptation Metrics and Targets	Cathay FHC has established targets relating to natural catastrophe loss prevention services for insured corporate clients, green insurance, sustainable lending, and low-carbon investments. Going forward, the Group will continue to assess the applicability of adaptation finance metrics based on its existing climate risk metrics and sustainable finance targets.
5 Climate Adaptation Governance	Climate- and nature-related issues have been incorporated into the oversight of the Board of Directors and relevant functional committees. Going forward, Cathay FHC will consider further integrating adaptation finance into its existing governance framework and climate strategy roadmap.

7.2 Nature-Positive

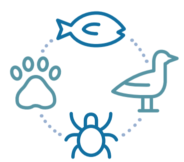
Climate change and nature loss are closely interconnected and may affect financial institutions' investment, lending, insurance, and operational activities. As global climate action increasingly emphasizes the protection of natural capital, natural carbon sinks such as forests and oceans, and the role of nature-based solutions in climate adaptation, nature-related issues have evolved beyond environmental conservation to become closely linked to water security, biodiversity, climate resilience, and the well-being of local communities.

As methodologies for nature-related risk management and financial practices continue to evolve, Cathay FHC will continue to focus on nature-related assessments, risk classification, risk mitigation, and capital planning. The Group will progressively strengthen the integration of nature-related risks into investment and lending decisions, customer engagement, and financial products and services. Key areas of enhancement include improving capabilities in collecting and analyzing nature-related data, strengthening engagement with industries that have high dependencies or impacts on nature, and assessing the feasibility of applying quantitative nature-related risk assessment results to risk management and capital planning.

In evaluating and supporting nature-related projects, Cathay FHC will continue to consider the environmental and social impacts of projects related to land, forests, and biodiversity. Depending on the nature of each project, the Group will assess its contributions to nature conservation, climate adaptation, and local industries and communities. Nature-related projects can support climate adaptation and ecosystem restoration; however, they should not replace companies' own efforts to reduce emissions and advance the energy transition. Going forward, Cathay FHC will continue to strengthen its project evaluation and management mechanisms to promote climate resilience, nature conservation, and the protection of stakeholder interests.

Looking ahead, Cathay FHC will continue to leverage the results of nature-related risk assessments, the Group's core financial capabilities, and external partnerships to further enhance its evaluation and support framework for nature-positive projects. In addition to continuing to focus on water resources, forests, and biodiversity, the Group will support projects that deliver nature-positive, environmental, and social benefits in line with its short-, medium-, and long-term objectives. Through customer engagement, financial products and services, and investment and lending management, Cathay FHC will promote capital flows toward economic activities that contribute to both climate resilience and nature conservation.

Starting from Taiwan's Low-Elevation Hills



Making Biodiversity a Measurable Value

Cathay FHC has partnered with the National Taiwan University Experimental Forest to develop a Biodiversity Credit Methodology for Low-Elevation Afforestation. Leveraging more than 120 years of biodiversity data accumulated by the Experimental Forest, the initiative explores a science-based methodology for biodiversity credits and develops quantifiable and verifiable biodiversity outcomes to support the development of biodiversity credit mechanisms.

Starting from a Tea Plantation

Turning Soil into a Climate Solution

Cathay FHC supports the development of Taiwan's first methodology for enhancing soil carbon sequestration in organic and eco-friendly tea plantations through grass cultivation. Using tea plantations in Pinglin as a pilot application, the methodology aims to restore soil health and strengthen the climate adaptation capacity of tea plantations through its development and implementation. Cathay FHC also recognizes the importance of placing people at the center of the transition by supporting those affected by the shift toward more sustainable practices and promoting an inclusive transition. Through a three-year guaranteed purchase commitment, Cathay Life supports stable incomes for tea farmers during the transition to sustainable farming practices, enabling them to adopt technical guidance and embrace more sustainable cultivation methods with confidence.

CHAPTER

08 Appendix

This appendix provides a cross-reference index aligning Cathay FHC’ s climate- and nature-related disclosures with major international frameworks, including the Task Force on Climate-related Financial Disclosures (TCFD), the IFRS Sustainability Disclosure Standard 2 (IFRS S2): Climate-related Disclosures, the Transition Plan Taskforce (TPT), and the Taskforce on Nature-related Financial Disclosures (TNFD). This aims to enhance transparency and ensure that climate- and nature-related disclosures are aligned with international standards. In 2025, Cathay FHC commissioned an independent auditor to provide limited assurance on the disclosed data related to (1) the concentration of exposure to industries sensitive to climate transition risk, and (2) the percentages of operating sites, owned real estate, and the outstanding residential mortgage balance classified as having Level 5 future flood hazard vulnerability. A limited assurance report has been issued to enhance the reliability and credibility of these disclosures. Through these disclosures and external assurance mechanisms, Cathay FHC continues to strengthen its management of climate- and nature-related risks, thereby reinforcing investor and stakeholder confidence.

Cathay Financial Holdings

8.1 Summary of Subject Matter Assured

This report focuses on metrics related to climate transition and physical risks and includes an external auditor's independent assurance to ensure the data's accuracy and credibility. For more information on sustainability, including green investment and lending, green products and services, and financial and operational emissions inventories, please refer to ▶ Cathay FHC's Sustainability Report 2025.

No.	Subject Matter	Applicable Criteria	Page
①	In 2025, the concentration of exposure to industries sensitive to climate transition risks was 7.7% of the portfolio.	Cathay FHC calculates and discloses the 2025 concentrated exposure to industries sensitive to climate transition risks [Note1] based on the "Cathay Financial Holdings Management Regulations for Industry Risks" (hereafter referred to as the "Management Regulations for Industry Risks"). The concentration of exposure to industries sensitive to climate transition risk refers to the ratio of Cathay FHC and its subsidiaries' [Note2] total investment and lending balances in such industries [Note3] to their overall investment and lending portfolio. **Note 1:** Industries sensitive to climate transition risk are defined in accordance with the Management Regulations for Industry Risks. These industries are identified with reference to the SASB Climate Risk Technical Bulletin (Aug. 2019) and Part B – Carbon-Related Assets of IFRS S2 Climate-related Disclosures. The industries include oil and gas, chemical manufacturing, construction materials (including cement), mining, fossil fuel-based power generation, coal-related industries, and transportation (including aviation and maritime shipping). The classification of these industries is based on the Bloomberg Industry Classification Standard (BICS) and the Directorate-General of Budget, Accounting and Statistics (DGBAS) industry codes. **Note 2:** Cathay FHC's subsidiaries refer to Cathay Life and its subsidiary Cathaylife Singapore Pte. Ltd., CUB and its overseas offices, Cathay Century Insurance, Cathay Securities, Cathay SITE, and Cathay Venture. **Note 3:** Definitions of investment and lending businesses are based on the Management Regulations for Industry Risks: • **Investment:** Cathay FHC and its subsidiaries' investment business as of December 31, 2025, includes investments in non-cash marketable securities such as domestic and overseas listed equities and corporate bonds, sovereign bonds, unlisted equities, and short-term notes. These investments are calculated based on their book values. This calculation excludes asset-backed securities, funds, venture capital investments, equity method investments, positions in investee companies, strategic trading positions, repurchase agreements, and long-term equity investments made in accordance with government policies. • **Lending:** Refers to corporate lending, guarantees, and sovereign loans provided by CUB and Cathay Life as of December 31, 2025. The calculation is based on the outstanding credit balance.	P.41
②	As of December 31, 2025, operating sites classified as having Level 5 future flood hazard vulnerability accounted for 4.7% of all operating sites, owned real estate classified as having Level 5 future flood hazard vulnerability accounted for 3.9% of all owned real estate, and the outstanding balance of residential mortgages classified as having Level 5 future flood hazard vulnerability accounted for 5.5% of the total outstanding residential mortgage balance.	Cathay FHC compares its operating sites, owned real estate sites, and residential mortgage collateral locations against projected flood risk maps through the end of the century provided by the National Science and Technology Center for Disaster Reduction (NCDR). Cathay FHC separately discloses the percentage of operating sites, owned real estate, and the outstanding residential mortgage balance of Cathay FHC and its subsidiaries that, as of December 31, 2025, were classified as having Level 5 future flood hazard vulnerability, the highest risk level [Note 1]. The percentage of operating sites of Cathay FHC and its subsidiaries classified as having Level 5 future flood hazard vulnerability as of December 31, 2025, refers to the total number of operating sites [Note3] of Cathay FHC and its subsidiaries[Note2] classified as having Level 5 future flood hazard vulnerability, divided by the total number of operating sites. The percentage of owned real estate classified as having Level 5 future flood hazard vulnerability as of December 31, 2025, refers to the total number of owned real estate sites[Note4] of Cathay FHC and its subsidiaries[Note2] classified as having Level 5 future flood hazard vulnerability, divided by the total number of owned real estate sites. The percentage of the outstanding residential mortgage balance classified as having Level 5 future flood hazard vulnerability as of December 31, 2025, refers to the total outstanding residential mortgage balance[Note5] of Cathay FHC and its subsidiaries[Note2] secured by collateral located in areas classified as having Level 5 future flood hazard vulnerability, divided by the total outstanding residential mortgage balance. **Note 1:** Level 5 future flood hazard vulnerability, the highest risk level, refers to the flood disaster risk map developed by the National Science and Technology Center for Disaster Reduction (NCDR), based on the risk definition in the Intergovernmental Panel on Climate Change's (IPCC) Fifth Assessment Report. The map evaluates flood risk using three dimensions: hazard, vulnerability, and exposure. Flood risk is classified from Level 1 to Level 5, from lowest to highest. Cathay FHC and its subsidiaries use a hazard-vulnerability assessment, based on the two indicators of hazard and vulnerability, to evaluate flood disaster impacts under different exposure levels. In 2025, the Group used NCDR's Version 3 Multi-model and multi-spatial scale risk maps for flood risk mapping. **Note 2:** Cathay FHC's subsidiaries refer to Cathay FHC, Cathay Life, Cathay United Bank, Cathay Century Insurance, Cathay Securities, Cathay SITE, and Cathay Venture Capital. **Note 3:** Operating sites are identified based on the domestic operating site records in the proprietary internal communication system of Cathay FHC and its subsidiaries as of December 31, 2025. The scope includes operating sites in owned real estate, Group-internal leased premises, and externally leased premises. Each headquarters, bank branch, company branch office, service center (including operations centers, regional centers, and customer service centers), office building, campus, communications office, and corporate banking group is counted as one operating site. If any unit at or below the department level is not located at the same site as the aforementioned units, it is counted separately as one operating site. **Note 4:** Owned real estate sites refer to domestic real estate held under the title of Cathay FHC and its subsidiaries as of December 31, 2025. The scope includes properties used for owner occupation and leasing and excludes parking spaces and land. Each office building [Note 6] is counted as one owned real estate site for the purpose of calculating the number of owned real estate sites. **Note 5:** Outstanding residential mortgage balance refers to home loan balances held by Cathay United Bank, Cathay Life, and Cathay Century Insurance as of December 31, 2025, where the borrowers are individuals and the collateral consists of completed residential properties in Taiwan. The calculation is based on the total outstanding residential mortgage balance. **Note 6:** The same office building may have multiple street addresses. In such cases, one street address is selected as the representative address, and the building is counted as one owned real estate site.	P.33

8.2 TCFD & IFRS S2 Index

Aspect	TCFD Recommended Disclosures	IFRS S2 Recommended Disclosures	Reference	Page
Objective		Articles 1-2	Applicable to all	-
Scope		Articles 3-4	Applicable to all	-
Governance	a. Describe the board's oversight of climate-related risks and opportunities.	Articles 5-7	▶ 1.1 Governance Structure and Responsibilities ▶ 1.2 Corporate Culture & Competency Training	P.9-11
Governance	b. Describe management's role in assessing and managing climate-related risks and opportunities.	Articles 5-7	▶ 1.1 Governance Structure and Responsibilities ▶ 1.2 Corporate Culture & Competency Training	P.9-11
Strategy	a. Describe the climate-related risks and opportunities the organization has identified over the short-, mid-, and long- term.	Articles 8-23	▶ 2.1 Risks and Opportunities	P.14
Strategy	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Articles 8-23	▶ 2.1 Risks and Opportunities ▶ 2.2 Transition Plan ▶ 3.1Financial Assets ▶ 3.2 Products and Services ▶ 3.3 Business Operations ▶ 4.1 Engagement Method & Strategy ▶ 4.2 International Organizations & Initiatives	P.14 P.16 P.18 P.19-20 P.21 P.23-26 P.27
Strategy	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2° C or lower scenario.	Articles 8-23	▶ 5.3 Overview of Climate and Nature Scenario Analysis ▶ 5.4 Investment and Lending Risk Management ▶ 5.5 Insurance Risk Management ▶ 5.6 Operational Risk Management	P.35 P.36-44 P.45-48 P.49-50
Risk Management	a. Describe the organization's processes for identifying and assessing climate-related risks.	Articles 24-26	▶ 2.1 Risks and Opportunities ▶ 5.2 Concentration Risk Identification ▶ 5.3 Overview of Climate and Nature Scenario Analysis	P.13 P.32-34 P.35
Risk Management	b. Describe the organization's processes for managing climate-related risks.	Articles 24-26	▶ 5.1 Risk Management Framework and Policy	P.30
Risk Management	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Articles 24-26	▶ 5.4 Investment and Lending Risk Management ▶ 5.5 Insurance Risk Management ▶ 5.6 Operational Risk Management	P.36-44 P.45-48 P.49-50
Metrics and Targets	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Articles 27-37	▶ 2.2 Transition Plan ▶ 6.1 Key Climate Performance Indicators ▶ 6.2 Climate Risk Metrics	P.15 P.53-55 P.56
Metrics and Targets	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Articles 27-37	▶ 2.1 Risks and Opportunities ▶ 2.2 Transition Plan ▶ 5.2 Concentration Risk Identification ▶ 6.1 Key Climate Performance Indicators	P.14 P.15 P.32-34 P.53
Metrics and Targets	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Articles 27-37	▶ 2.2 Transition Plan ▶ 6.1 Key Climate Performance Indicators	P.15 P.54-55

8.3 IFRS S2 TPT Index

Principles	Disclosure Elements	Disclosure Sub-elements	Reference	Page
Ambition	① **Foundations**	1.1 Strategic ambition 1.2 Business model and value chain 1.3 Key assumptions and external factors	▶ 2.1 Risks and Opportunities ▶ 2.2 Transition Plan	P.13-14 P.15-16
Action	② **Implementation strategy**	2.1 Business operations 2.2 Products and services 2.3 Policies and conditions 2.4 Financial planning	▶ 3.1 Financial Assets ▶ 3.2 Products and Services ▶ 3.3 Business Operations	P.18 P.19-20 P.21
	③ **Engagement strategy**	3.1 Engagement with value chain 3.2 Engagement with industry 3.3 Engagement with government, public sector, communities, and civil society	▶ 4.1 Engagement Method & Strategy ▶ 4.2 International Organizations & Initiatives	P.23-26 P.27-28
Accountability	④ **Metrics & Targets**	4.1 Governance, engagement, business and operational metrics and targets 4.2 Financial metrics and targets 4.3 GHG metrics and targets 4.4 Carbon credits	▶ 6.1 Key Climate Performance Indicators ▶ 6.2 Climate Risk Metrics ▶ 6.3 Nature Risk Metrics	P.53-55 P.56
	⑤ **Governance**	5.1 Board oversight and reporting 5.2 Management roles, responsibility and accountability 5.3 Culture 5.4 Incentives and remuneration 5.5 Skills, competencies and training	▶ 1.1 Governance Structure and Responsibilities ▶ 1.2 Corporate Culture & Competency Training	P.9-11

8.4 TNFD Index

Aspect	TNFD Recommended Disclosures	Reference	Page
Governance	a. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.	▶ 1.1 Governance Structure and Responsibilities ▶ 4.1 Engagement Method & Strategy ▶ 7.1 Just Transition & Adaptation Finance	P.9-10 P.23-26 P.58
	b. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.		
	c. Describe the organization's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organization's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.		
Strategy	a. Describe the nature-related dependencies, impacts, risks and opportunities the organization has identified over the short, medium and long term.	▶ 2.1 Risks and Opportunities ▶ 7.2 Nature-Positive	P.13-14 P.59
	b. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organization's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.		
	c. Describe the resilience of the organization's strategy to nature-related risks and opportunities, taking into consideration different scenarios.	▶ 5.3 Overview of Climate and Nature Scenario Analysis ▶ 5.4 Investment and Lending Risk Management	P.35 P.36-44
	d. Disclose the locations of assets and/or activities in the organization's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	▶ 5.2 Concentration Risk Identification	P.32-34

Aspect	TNFD Recommended Disclosures	Reference	Page
Risk and Impact Management	a. (i) Describe the organization processes for identifying, assessing and prioritizing nature-related dependencies, impacts, risks and opportunities in its direct operations.	▶ 2.1 Risks and Opportunities ▶ 5.2 Concentration Risk Identification ▶ 5.4 Investment and Lending Risk Management	P.13-14 P.32-34 P.36-44
	a. (ii) Describe the organization processes for identifying, assessing and prioritizing nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).		
	b. Describe the organization's processes for managing nature-related dependencies, impacts, risks and opportunities and actions taken in light of these processes.	▶ 5.3 Overview of Climate and Nature Scenario Analysis ▶ 5.4 Investment and Lending Risk Management	P.35 P.36-44
	c. Describe how processes for identifying, assessing, prioritizing and monitoring nature-related risks are integrated into and inform the organization overall risk management processes.	▶ 5.1 Risk Management Framework and Policy	P.30-31
Metrics and Targets	a. Disclose the metrics used by the organization to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.	▶ 5.4.2 Nature Risk Assessment and Evaluation ▶ 6.3 Nature Risk Metrics	P.38-40 P.56
	b. Disclose the metrics used by the organization to assess and manage dependencies and impacts on nature.		
	c. Describe the targets and goals used by the organization to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.	▶ 2.2 Transition Plan ▶ 6.1 Key Climate Performance Indicators	P.15-16 P.53-55

Note: The index references the Recommendations of the Taskforce on Nature-Related Financial Disclosures.

8.5 Independent Assurance Statement

pwc 資誠

Independent Limited Assurance Report

PWCM25001255

To Cathay Financial Holding Co. Ltd

We have been engaged by Cathay Financial Holding Co. Ltd (the "**Company**") to perform assurance procedures in respect of the key performance indicators identified by the Company and reported in the 2025 Climate and Nature Report (the "**Climate and Nature Report**") (hereinafter referred to as the "**Identified Key Performance Indicators**") and have issued a limited assurance report based on the result of our work performed.

Subject Matter Information and Applicable Criteria
The subject matter information is the Identified Key Performance Indicators of the Company. The Identified Key Performance Indicators and the respective applicable criteria are stated in the "Summary of Subject Matter Assured" of the Climate and Nature Report. The scope of the Identified Key Performance Indicators is set out in the "About this Report" of the Climate and Nature Report.

Management's Responsibility
The Management of the Company is responsible for the preparation of the Identified Key Performance Indicators disclosed in the Climate and Nature Report in accordance with the Applicable Criteria. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Identified Key Performance Indicators that are free from material misstatement, whether due to fraud or error.

Inherent Limitation
Certain subject matter information assured involves non-financial data which is subject to more inherent limitations than financial information. Qualitative interpretations of the relevance, materiality and the accuracy of data are more dependent on individual assumptions and judgments.

Compliance of Independence and Quality Management Requirement
We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies the Standard on Quality Management 1, "Quality Management for Public Accounting Firms" of the Republic of China, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

www.pwc.tw

資誠聯合會計師事務所 PricewaterhouseCoopers, Taiwan
110208 臺北市信義區基隆路一段 333 號 27 樓
27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 110208, Taiwan
T: +886 (2) 2729 6666, F: +886 (2) 2729 6686

pwc 資誠

Our Responsibility
Our responsibility is to express a limited assurance conclusion on the Identified Key Performance Indicators based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the Standard on Assurance Engagements 3000, "*Assurance Engagements other than Audits or Reviews of Historical Financial Information*" of the Republic of China. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the Identified Key Performance Indicators are free from material misstatement.

Under the requirements of the aforementioned standard, our limited assurance engagement involves assessing the suitability in the circumstances of the Company's use of the criteria as the basis for the preparation of the Identified Key Performance Indicators, assessing the risks of material misstatement of the Identified Key Performance Indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances and evaluating the overall presentation of the Identified Key Performance Indicators. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, evaluating the appropriateness of quantification methods, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above, we:

- Made inquiries of the persons responsible for the Identified Key Performance Indicators to obtain an understanding of the processes, information systems and the relevant internal controls relating to the preparation of the aforementioned information, to identify the areas where there may be risks of material misstatement; and
- Based on the above understanding and the areas identified, performed substantive testing on a selective basis, including inquiries, observation, inspection, and reperformance to obtain evidence for limited assurance.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Company's Identified Key Performance Indicators

www.pwc.tw

pwc 資誠

have been prepared, in all material respects, in accordance with the respective applicable criteria.

We also do not provide any assurance on the Climate and Nature Report as a whole or on the design or operating effectiveness of the relevant internal controls.

Limited Assurance Conclusion
Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Identified Key Performance Indicators in the Climate and Nature Report are not prepared, in all material respects, in accordance with the Applicable Criteria.

Other Matter

The Management of the Company is responsible for maintaining the Company's website. We have no responsibility to re-perform any procedures regarding the Identified Key Performance Indicators after the date of our assurance report, even if the Identified Key Performance Indicators or the Applicable Criteria have been subsequently modified.

Chao, Yung-Chieh

CHAO, YUNG-CHIEH

Partner
For and on behalf of PricewaterhouseCoopers, Taiwan
31 August 2026

www.pwc.tw

國泰金控
Cathay Financial Holdings